

# Catalyzing Climate and ESG-led Finance for SMEs and Supply Chains

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# Catalyzing Climate and ESG-led Finance for SMEs and Supply Chains

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Aspire Circle is a non-profit Trust which promotes enlightened social leadership. Founded in 2007, it builds and scales five impact communities through Scholarships, Fellowships, Internships, IFP (Impact Future Project) Community Leadership, and Impact Hub Community Partnerships. To date, Aspire Circle has awarded 34 scholarships, admitted 250+ Fellows and engaged 200+ IFP leaders.



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Aspire Impact is the pioneering Impact Rating & Certification initiative in the Global South. Established in 2020 as a social enterprise, it uses a 4P Impact Assessment Framework to evaluate corporations, banks, funds, and non-profits in terms of ESG, Sustainability, and Impact. Through rigorous evaluations based on 40 Impact Standards and 150+ KPIs, Aspire Impact awards Green, Silver, Gold & Platinum Leaf ratings. It also leads India's esteemed thought leadership project, the Impact Future Project, featuring 11 research reports to date with contributions from over 250 CXOs as co-authors.

### Impact Future Project

#### IMPACT FUTURE PROJECT (IFP)

The Impact Future Project (IFP) is a thought-leadership platform and an "appreciative enquiry" about the imminent Impact Economy or Capitalism 2.0. The initiative is for the public good, to (a) generate transformative investment ideas, (b) develop standards-based impact measurement framework, and (c) design a digital platform for standards-based, ESG, Sustainability & Impact Assessments.



### DESAI & ASSOCIATES

Desai & Associates (D&A) is an innovative finance-focused academic, advocacy and advisory firm helping funders, founders & policymakers identify and deploy innovative solutions to sustainable development challenges in climate, inclusion and livelihoods. D&A's mission is to drive better capital allocation, democratise knowledge and drive tri-sector (Samaaj, Sarkaar, Bazaar) collaboration on intersectional issues.



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Imparting quality education is the primary vision at Mahindra University. The objective is to ensure that the University gives the students, as they start their professional careers, a proper foundation and a clear pathway for their career growth through the encouragement of our esteemed faculty mentors and peers and to become an institution playing a significant role in the global dynamics of research, development and higher learning in science, technology, and liberal arts.



### PROTEAN E-GOV TECHNOLOGIES

Protean eGov Technologies Ltd., is one of the key IT enabled service providers engaged in conceptualizing, developing and executing nationally critical and population scale greenfield technology solutions. The company has extensively collaborated with the government over the last 25 years in creating digital public infrastructure and developing innovative citizen centric e-governance solutions.



### MIXCHANGE

Mixchange was launched on 7th April 2017 to service the finance needs of MSME across India. The exchange enables MSME to secure finances by converting their trade receivables into liquid funds, on without recourse basis. The exchange has hosted Nationalised, Private and Foreign banks to finance these receivables at most competitive rates with a unique model of bidding by the banks.



### CAPGEMINI

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of 340,000 team members in nearly 50 countries.



### THE ROCKEFELLER FOUNDATION

The Rockefeller Foundation seeks to inspire and foster large-scale human impact that promotes the well-being of humanity by identifying and accelerating breakthrough solutions, ideas and conversations.

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## Founder's Preface



Dear Friends,

The global ESG, Sustainability and Impact movement, induced by a global pursuit of sustainable life by consumers, businesses, investors and governments; emboldened by global commitments like SDGs or Net Zero; is now an unstoppable force. At the end of 2020, USD 59 trillion of USD 150 trillion of global AUM (Assets Under Management), as per GSIA, had moved to the Impact Continuum, i.e., either in ESG, Sustainability or Impact Investments. We are well on our journey to an Impact Economy.

However, to accelerate timely global transition to Net Zero, we must empower Small and Medium Enterprises (SMEs), who make up 50-70% of global GDP and employment. As big business has just begun to report on ESG, Sustainability or Impact, there is a unfair perception that SMEs will take longer. As our case studies show, corporates are already bringing their supply chains into the climate discussion in a bid to green them. In early 2023, given SME criticality and Indian presidency of G20, alongside Aspire Impact's vantage point in advising SMEs on Impact Assessments; we proposed two ideas- for Climate Technology and Climate Finance, to enable greater innovation. We are grateful that the T20 Secretariat approved creation of two Expert Working Groups to develop these two ideas further.

This publication, co-authored by one of our two Working Groups, outlines our idea to link ESG, Sustainability, and Impact to Climate finance for SMEs and Supply chains via global trade finance

(platforms); integrate them into the global impact movement; and help nation-states transition faster to Net Zero, achieve SDGs while making SMEs future-ready.

We are indebted to the 24 experts who came together multiple times to co-author this publication, under the leadership of Suresh Sethi and Sundeep Mohindru. Protean e-Gov Technologies, Mixchange and Desai & Associates were thoughtful Knowledge and Convening Partners, respectively. My special thanks go to Debaroti Sarkar and Harpreet Kaur of Aspire Impact for their diligent primary drafting. We hope this idea gets its due consideration.

Finally, I must thank our primary sponsors Capgemini, long-term supporters of our Impact Future Project, and supporting sponsors- The Rockefeller Foundation and Protean e-Gov Technologies for their generous support.

We hope this publication will spur more creative thoughts on how we can all unlock an era of ESG, Sustainability/Climate or Impact-linked finance for SMEs, to usher in Impact Capitalism. Aspire Impact is itself committed to "measure the good", i.e., world's transition to sustainable Impact.

Sincerely,

**Amit Bhatia**  
Founder & CEO  
Aspire Impact & Aspire Circle

## Messages

### Co-Chair



Extreme weather events are becoming frequent and are expected to get worse. As the world's most populous country, India is amongst the

countries most affected by climate change. These events can directly impact economic growth by disrupting the global supply chain caused by natural disasters.

SMEs are a critical link in the supply chains across global economies as they account for the majority of jobs and economic activity. According to the World Bank, climate change can potentially wipe out up to 40% of SMEs in developing countries by 2030. Considering SMEs are particularly vulnerable to the impacts of climate change, our supply chains will always be as strong as the weakest link. In India, SMEs contribute around 30% to the GDP (-50% in developed nations) and employ -40% of the country's workforce.

This clearly indicates the imminent need for adopting a well-defined framework

and transparent guidelines for climate finance. This includes collaborative efforts by corporates, financial institutions, and governments to create climate finance awareness among SMEs, build capacity to decarbonize their operations and scale up investments in businesses that prioritize sustainability. At Protean, we believe that Open Digital Ecosystems (ODE) can be pivotal in creating an inclusive, equitable and transparent ecosystem for SMEs - by removing the information asymmetry, providing ESG rating based credentials and enabling access to climate finance in an Open Finance architecture. It is crucial to foster thought leadership and initiate concrete actions to realize this transformative vision. The ideas presented in this edition offer impactful and practical solutions to catalyse the transition to a net-zero economy.

**Suresh Sethi**  
Managing Director & CEO,  
Protean e-Gov Technologies Ltd.

## Co-Chair



It's indeed promising to see that there is increasing recognition of the importance of green initiatives for SMEs. These initiatives not only benefit

the environment but also present significant opportunities for businesses to improve their competitiveness and participation in value chains.

One of the key challenges for SMEs in adopting sustainability measures is the lack of clear business cases due to high upfront costs and uncertain returns. However, the positive news is that corporates and financiers are increasingly interested in sustainability performance, which can incentivize SMEs to invest in greener practices. The survey conducted with SMEs engaged with M1xchange in Supply Chain Finance highlights the critical role that finance and infrastructure availability play as constraints to climate action for these businesses.

One solution to help SMEs overcome these challenges is the utilization of digital

approaches to supply chain finance. This not only provides immediate liquidity to SMEs but also encourages suppliers to adopt more sustainable practices, facilitating better reporting of emissions and other sustainability practices.

The lack of capacity of SMEs to produce data on their sustainability performance, including ESG assessments, is another hurdle they face when seeking sustainability-linked finance opportunities. To address this issue, it's crucial to raise awareness within the industry and the government, which the Aspire team's initiative to host a discussion paper on Climate finance for SMEs aims to do. Furthermore, international case studies showcasing how corporates are involving their SME suppliers in green initiatives demonstrate a positive trend towards collective action for sustainable supply chains. These examples can serve as models for other companies, encouraging more widespread adoption of sustainable practices throughout the supply chain.

**Sundeep Mohindru**  
Founder Director - M1xchange

## Quotes from Co-Authors



Inclusion of entire Indian Green Taxonomy under the ambit of priority sector lending guidelines will give much needed fillip to SME Supply chain climate financing.



**Abhishake Kumar Karn**  
Head- PSL Wholesale & MSME, RBL Bank



Identifying and supporting SMEs with an explicit positive impact is as essential for real economy change as is enabling fair access to climate finance for these solid ESG performers.



**Dr. Adriana Kocornik-Mina**  
Senior Manager of Metrics and Research - Global Alliance for Banking on Values



Long-term lasting change to the global systems that underpin Climate Change just can't happen if the organisations we are using to tackle these issues can't work at it consistently and have to stop, start, hire, re-hire because they don't have access to the right funding terms, staff and resources.



**Anna Bruni Sabhaney**  
Founder - The Confluencers



SMEs hold a pivotal yet vulnerable position in the country's industrial ecosystem concerning climate goals. Addressing the pressing challenges of restricted funding access, limited awareness of options, and lender risk perception is imperative. By employing financing structures that leverage the supply chain's strength and incorporate blended financing, there is potential to bridge this funding gap effectively.



**Aparna Soni Bhalla**  
Relationship Manager, Trade & Supply Chain Finance - Asian Development Bank



SMEs will be instrumental in our race to Net Zero. They are critical to our supply chains while also being the most vulnerable part of it. It is important to work with SMEs to devise practical solutions that empower them in making this transition to decarbonisation and Net Zero.



**Bhavya Sharma**  
Director - Communications & ESG - Urban Company



In order to strengthen sustainable economies and expand impact investing, we need to educate and give the proper tools to governments, legislative bodies, and all of those who have a say in developing regulations and incentives to achieve this.



**Fernando Cortes McAllister**  
Executive Director - Fundación Bolívar Davivienda



SMEs are the bedrock of a country and an economy. It is imperative that Climate is a part of their consciousness, for which Climate Finance can be a useful lever to bring about change at a mass scale.



**Jamuna Rao Verghese**  
Managing Partner, Dancing Rain Capital



Unlocking sustainable finance opportunities for SMEs drives their active participation in the green movement. Incorporating ESG frameworks into financing options will pave the way for profitable climate-conscious innovations.



**Jinesh Shah**  
Managing Partner - Omnivore

“

Blended finance can play a critical role in unlocking the critical climate technologies needed by emerging economies like India, and facilitating the participation of SMEs in green supply chains.

”

**Kartikya Nitin Desai**  
Founder & CEO - Desai & Associates

“

More than 70% of emissions in almost all sectors reside in their supply chains or Scope 3, and pathway to Net Zero is not possible without addressing this critical part of the value chain.

”

**K.S. Priyadarshini**  
Sustainable Finance Lead -  
HSBC Commercial Banking India

“

Regulation of financial markets should ensure that risks and returns in financial markets are aligned with the societal risks and opportunities posed by climate change. One cannot be subordinated to the other.

”

**Dr. Manish Kumar Shrivastava**  
Senior Fellow - TERI

“

SMEs have demonstrated unwavering determination to support India's march into the world's top 5 economies, as per IMF's latest GDP data. Their entrepreneurial spirit is the driving force behind innovation and employment generation. Their unique challenges need to be understood and providing tailored financial solutions, supporting capability development will help them overcome obstacles in their business. As responsible corporate citizens, making a positive impact on the society at large should not be overlooked. For this, promoting fair trade and ethical sourcing, use of environmentally friendly materials, adopting sustainable manufacturing processes, reducing waste and conserving resources should be areas of focus as they partner the nation to meet India's NDCs and net-zero target.

”

**Manish Kumar**  
Head - ESG & CSR - ICICI Bank Limited

“

In order to empower SMEs and supply chains, it has become crucial to provide financial products that blend profitability with environmentally responsible practices that promote long-term success.

”

**Manjari Atroley**  
Co-Founder and Director - 2nd October Inc.

“

Investing in SMEs in high-growth markets is a great opportunity to transform global supply chains and accelerate the transition toward a low-carbon, circular economy.

”

**Meeta Narsinghani**  
Associate Partner -Circulate Capital

“

SMEs are critical to economic growth and have high potential to contribute to environmental and social betterment. Even as the volume and scope of green and ESG-linked finance is expanding, SMEs are unable to access these finances due to their lack of awareness and management knowledge. Financiers steer clear of them due to perceived high risk and high transaction costs. In this situation, the role of platforms / intermediaries / aggregators / anchors is critical in bridging the gaps between green finance and SMEs. A cluster approach is well-suited for working with SMEs. The platforms need to play an important role in awareness creation, knowledge-sharing, establishing linkages as well as in incentivising and supporting SMEs in their transition towards sustainability. Various categories of financing instruments and agencies must be roped in - commercial and concessional capital will have to be "blended" to make financing affordable for SMEs.

”

**Rekha Krishnan**  
Managing Partner - WEFT Research LLP  
Strategic Advisor - CLEAN

“

It is very exciting to see how SMEs that are a critical mass can contribute to help achieve a country's SDGs and Net Zero targets. Bringing various players from industry makes it so real and actionable.

”

**Rohit Bhatia**  
Chief Product Officer - Aspire Impact

“

Access to climate finance is vital for SMEs and supply chains to integrate climate-friendly technologies and mitigate environmental risks, therefore, investing in climate finance for SMEs and supply chains is an investment in the sustainability and competitiveness of our economy.

”

**Saneesh Singh**  
Independent Director, Former MD & CEO -  
Dia Vikas Capital

“

Development is not about the indices represented by the top 5 percent, but those of the bottom 5 percent.

”

**Sangeeta Robinson**  
CSO- PVR Cinemas

## Executive Summary

Small and Medium Enterprises (SMEs) are vital to many global economies, with their economic activity and job creation making a significant impact. However, due to smaller scales of production, unskilled labour, limited technology adoption, and inadequate infrastructure, this industry is vulnerable to a plethora of challenges - market fluctuations, supply chain disruptions, changes in political landscape, and most importantly, climate change. SMEs have dependence on natural resources, are located usually in villages or small towns which are more prone to climate hazards, do not have insurance covers, and thus lack the capacity to adapt to climate change. While this is one side of the coin, there is another side of the story too.

SMEs are significant contributors to greenhouse gas emissions (GHG), accounting for about one-fourth of total emissions in India, as reported by the GHG Platform India and up to 50-70% in the G20 countries. Therefore, SMEs are faced with the challenge of finding ways to pursue growth while also adopting sustainable practices to reduce their negative impact on the environment. The industry is hugely informal, decentralized, and immature to identify the benefits of transitioning to a low carbon economy.

SMEs require money to overcome these challenges, but accessing finance, especially climate finance, can be a daunting task. To catalyse climate finance in SMEs and supply chains, a multi-faceted approach is needed. On a macro level, governments can incentivize financial institutions to invest in green initiatives

through tax breaks, subsidies, and other financial incentives. Regulators can establish climate finance standards and guidelines to aid financial institutions in assessing the environmental impact of their investments. Financial institutions can develop innovative financial products and services, such as green loans and bonds, with favourable terms for sustainable businesses. While there are supply side issues to be fixed, there are problems that need solutions from the demand side too. For example, the demand for financing the transition to greener alternatives is limited due to a lack of awareness about available financial assistance and a perception that the costs are high. Through this publication, we venture into the realm of climate finance, examining four pivotal themes: Global Trade Finance (GTF) & Supply Chain Finance (SCF), Digital and Traditional financing channels, SMEs & Supply Chains, and Environment, Social, and Governance (ESG) & Sustainability. Our focus is on the importance of incorporating sustainability practices into financing strategies and the relevance of promoting ESG-linked finance for SMEs.

ESG ratings can serve as a bridge between SMEs and providers of finance, such as corporates and financial institutions. Suppliers with higher ESG ratings are likely to feel more confident approaching providers to request financing, while providers may be more willing to offer better financing terms, such as discounted rates or longer repayment periods, to suppliers with stronger ESG performance. Leveraging innovative digital platforms can not only encourage SMEs to monitor and enhance their ESG performance but

can also open new avenues for them to access climate and ESG-linked financial opportunities.

G20 nations can use global models for SME/supply chain financing to boost its Impact movement. For example, Taulia and EcoVadis' partnership links supply chain finance to ESG performance, allowing firms to identify sustainable suppliers and encourage better ESG practices. This report explores the promising potential of platform-based climate or ESG-led finance, shedding light on its benefits for SMEs, the broader economy, and the planet.

The convergence of digital innovation and ESG principles presents a transformative solution, empowering SMEs to embrace sustainability-driven practices with greater ease and efficiency. By monitoring their ESG performance, SMEs can navigate the evolving landscape of responsible finance, gaining a competitive edge in the market. Moreover, these proposed platforms would help unlock the sustainable potential of SMEs, propelling the shift towards a greener and more resilient global economy.

As we look ahead, fostering greater awareness, adoption, and support for platform-based climate or ESG-led finance remains crucial. Governments, financial institutions, and stakeholders

must work collaboratively to create an enabling ecosystem that incentivizes ESG compliance and facilitates access to sustainable finance options for SMEs. The need of the hour calls for creativity and innovation to unlock the true potential of platform-based climate or ESG-led finance. SMEs have a vital role to play, while financial institutions and corporations must respond by stepping up to the challenge.

The G20 presidency presents India with an unparalleled opportunity to take the forefront in driving climate action. Through this pivotal role, Aspire aligns with this momentous endeavor, aiming to facilitate transformative change in climate finance landscape for SMEs. This research publication signifies a dedicated effort in this direction, enriched by the expertise, knowledge, and viewpoints of 23 distinguished industry experts. This cohort engaged in extensive discussions on critical concerns and potential remedies, with their perspectives captured through anonymous live polling. The research publication gains further validation through the participation of more than 100 SMEs in a survey. These SMEs shared firsthand, authentic insights regarding their awareness levels and the hurdles they confront in relation to climate challenges.

## Introduction

The global financial markets, as a vital component of the world economy, assume a paramount role in facilitating economic growth, capital allocation, and risk management across nations and industries. These interconnected markets encompass a wide range of financial institutions, investors, and instruments, collectively driving the flow of capital and enabling economic activities at a global scale. The efficient functioning of these markets is essential for fostering innovation, entrepreneurship, and sustainable development.

At the heart of this financial ecosystem lies the intricate web of investment decisions, where capital is allocated to different sectors, projects, and enterprises. These decisions have far-reaching implications, influencing the trajectory of economic growth, job creation, and the overall well-being of societies. Recognizing this power, there is an increasing awareness and emphasis on incorporating ESG factors into investment practices. The urgency to address pressing global challenges, such as climate change, has propelled the concept of climate finance to the forefront of financial discussions. Climate finance refers to the mobilization of funds towards projects, initiatives, and businesses that mitigate or adapt to climate change. Within this context, the focus on climate and ESG-led finance for SMEs has gained significant traction.

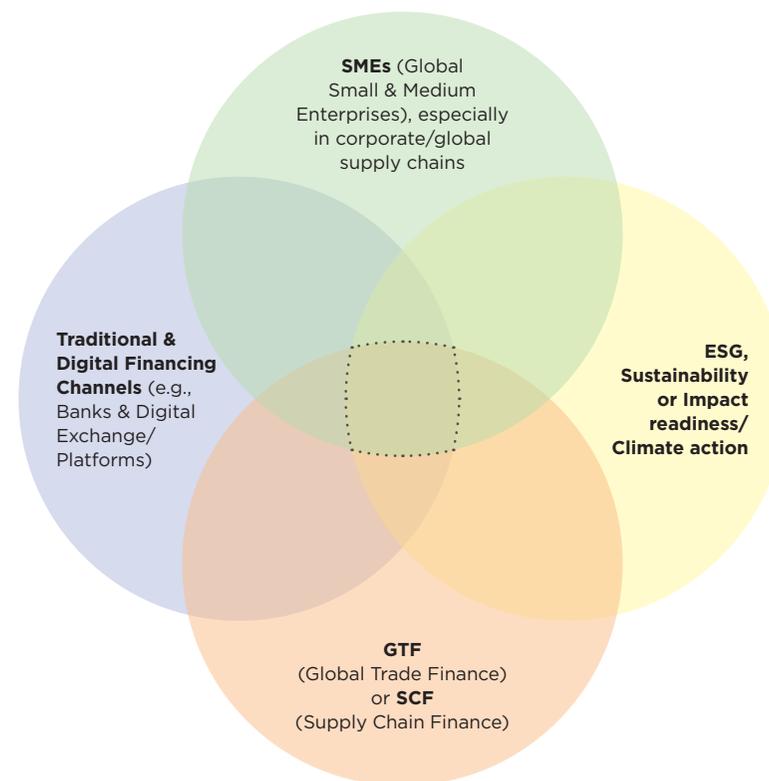
SMEs, often hailed as the backbone of economies worldwide, represent a vast and diverse segment of businesses. They contribute to job creation, innovation, and economic resilience, particularly in emerging markets. However, SMEs face

various barriers, including not only limited access to finance, but also lesser understanding and awareness of ESG or climate change landscape, which hinders their ability to adopt sustainable practices and capitalize on opportunities presented by the transition to a low-carbon economy.

By recognizing the pivotal role of the global financial markets in catalyzing climate and ESG-led finance for SMEs, we can unlock a multitude of benefits. Not only can this enable SMEs to embrace sustainable practices, reduce their environmental footprint, and enhance their resilience to climate-related risks, but it can also foster inclusive economic growth, drive innovation, and create employment opportunities. Consequently, there is a growing call for concerted efforts from financial institutions, policymakers, and stakeholders to develop frameworks, instruments, and mechanisms that facilitate the flow of climate and ESG-led finance towards SMEs.

In light of these considerations, this research paper aims to delve into the strategies, challenges, and opportunities associated with catalyzing climate and ESG-led finance for SMEs. We believe this space lies at the intersection of four different realms, as shown above. By exploring the size and role of financial markets, policy interventions, innovative financing mechanisms, and the subsequent readiness of the SMEs and supply chains, we seek to provide insights and recommendations that can empower SMEs to embrace sustainability, drive economic growth, and contribute to the global efforts of addressing climate change.

### ESG-linked SME Finance: New Space at the Intersection of Four Realms



Source: Aspire Impact analysis

### Demystifying the Finance Landscape

Amidst the vast global economy with an estimated GDP of USD 104 trillion in 2022, trade finance with a size of \$7.3 Trillion as of 2020, emerges as a crucial catalyst, facilitating economic activities through SMEs and supply chains. This vital financial domain encompasses a diverse range of instruments and services, facilitating seamless cross-border transactions, ensuring liquidity provision, managing risk, and fostering trust among trading partners. From the issuance of letters of credit to export financing and documentary

collections, trade finance plays an irreplaceable role in enabling international commerce, serving as a linchpin for economic growth.

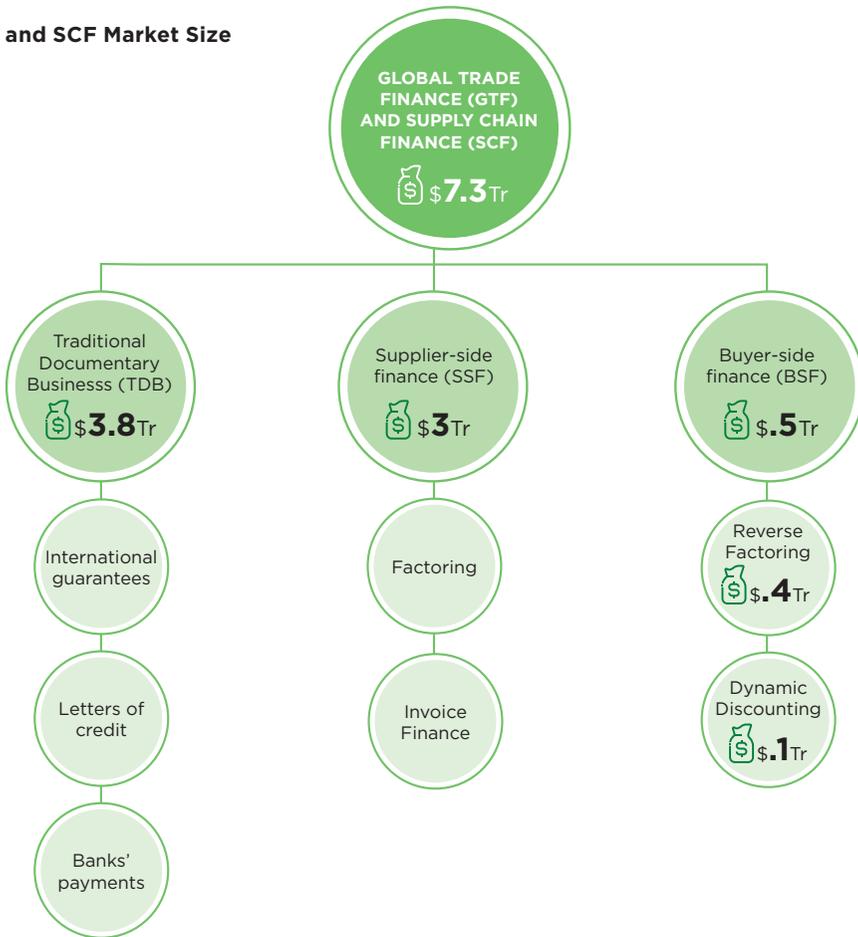
However, recent world events have exposed gaps in the trade finance ecosystem, posing long-term risks to the global economy. The Asian Development Bank (ADB) reveals that the global trade finance gap reached an unprecedented high of \$1.7 trillion in 2020, marking a 15% increase from two years prior. The COVID-19 pandemic exacerbated existing economic and financial uncertainties, severely impacting global trade activities.

Regrettably, the adverse effects of this trade finance gap disproportionately affect SMEs, which serve as key drivers of growth and job creation, particularly in developing nations. These enterprises constitute around 90% of global businesses. Astonishingly, despite accounting for 41% of trade finance applications, SMEs faced rejection in 52% of cases in 2020. The trade finance gap poses even more significant challenges for women-led businesses, with a staggering 70% of their applications either partially or fully rejected.

As of 2020, the global trade finance (GTF) market was estimated to be worth USD 7.3 trillion<sup>1</sup> including supply chain finance (SCF). Moreover, projections suggest that the market will continue to grow at a compound annual growth rate (CAGR) of 5.5% from 2022 to 2027.

The following chart illustrates the hierarchy of Global Trade Finance, depicting the market size in USD for each segment as of the year 2020.

**GTF and SCF Market Size**



Source: The 2020 McKinsey Global Payments Report, Aspire Impact analysis

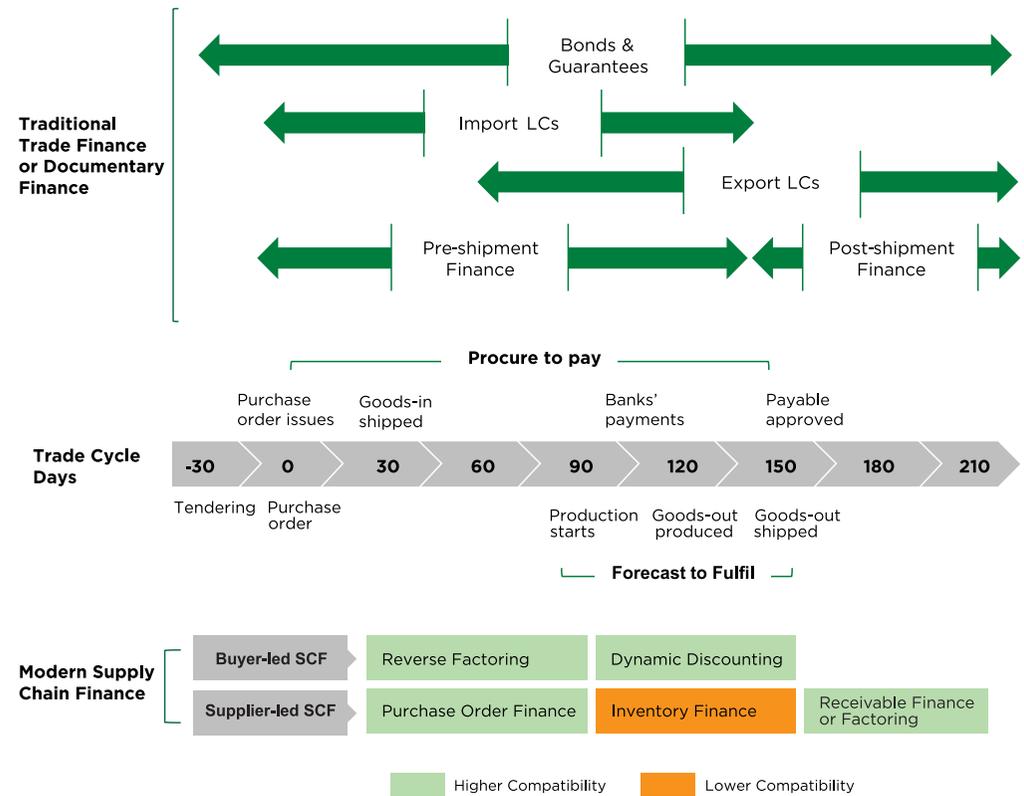
<sup>1</sup> <https://www.mckinsey.com/industries/financial-services/our-insights/reconceiving-the-global-trade-finance-ecosystem#/>

It is crucial to understand that SCF, often used interchangeably with GTF, is recognized as a specialized and contemporary subset of trade finance. While some quarters differentiate GTF as the traditional documentary business and SCF as the more modern buyer-led or supplier-led instrumentation, this research publication will use the collective term GTF & SCF to encompass the total market size, focusing on the three key financial channels,

GTF & SCF focuses on optimizing working capital within supply chains, enabling businesses to streamline cash flow, strengthen supplier relationships, and enhance operational efficiency. Buyer-side Finance (BSF), a significant component of GTF & SCF, leverages the interconnectedness of trade partners, offering financing solutions such as reverse factoring, dynamic discounting, and vendor financing. In 2020, the estimated market size of BSF amounted to approximately USD 500 billion<sup>2</sup>.

**Demystifying Global Trade Finance or Supply Chain Finance**

Traditional and Modern Finance



Source: Lloyds Banking Group 2014. Aspire Impact analysis

<sup>2</sup> McKinsey

Through our panel of experts, Aspire Impact has been able to highlight (in green) the financial instruments most suited for ESG considerations and which are most easily accessible to SMEs and Supply Chains.

Even though, SMEs play a vital role in driving economic development, job creation, and innovation, they face significant financial barriers that hinder their growth and participation in global markets. GTF and SCF serve as lifelines for SMEs by providing crucial instruments, such as export financing, documentary collections, and letters of credit, to mitigate risks and enhance trust in cross-border transactions. Examining the size and significance of GTF & SCF within the global financial market uncovers its impact in enabling SMEs to seize international trade opportunities and expand their market reach.

Moreover, within complex supply networks, SMEs benefit from SCF mechanisms that enhance cash flow, reduce payment delays, and foster collaboration among supply

chain stakeholders. This publication also explores the dimensions of SCF within the global financial market, highlighting its direct implications for SMEs in terms of strengthening supply chain relationships, mitigating operational risks, and driving sustainable practices.

By providing SMEs with crucial knowledge and insights, it empowers them to seize financial opportunities, navigate the dimensions of trade finance, supply chain finance, and climate finance, and chart a course towards a sustainable and prosperous future.

Furthermore, We shall delve into how financial institutions, governments, open digital platforms, SMEs and other stakeholders can leverage these intersecting finance domains to address pressing global challenges. It investigates the significance of innovative financial instruments, technological advancements, and policy frameworks in facilitating sustainable trade, resilient supply chains, and proactive climate action.

# 1 | Climate Finance for SMEs and Supply Chains

In this chapter we will analyse the crucial role SMEs play in accelerating ESG and climate finance. Their agility, innovation, and potential for sustainable growth position them as key contributors to combating climate change. This chapter is broken down into four sections:

- As GTF/SCF grow to \$8.7 trillion by 2024, we can address financing gaps and the ESG/Climate finance together .....
- SMEs are poised to help accelerate ESG/Climate Finance

- Unlocking 4x Potential in the Fight Against Climate Change .....
- ESG-linked Finance is a trillion-dollar opportunity

We conclude this chapter with ideas on addressing financing gaps, leveraging the potential of SMEs, and embracing ESG-linked finance accelerating transition to a low-carbon economy.

Climate finance has gained global attention in the fight against climate change. While it has often focused on large-scale projects, its role in supporting SMEs and supply chains is equally crucial. With the world intensifying efforts to address climate change, understanding the role of finance in driving sustainability is paramount.

With climate change presenting formidable challenges, SMEs require access to financing to adopt clean technologies, implement energy-efficient practices, and navigate climate-related risks. By exploring the dimensions of climate finance within the global financial market, we highlight its instrumental role in empowering SMEs to embrace sustainable practices, enhance competitiveness, and contribute to climate change mitigation and adaption efforts. A study by the World Bank found that climate change could wipe out up to 40% of SMEs in developing countries by 2030.

To limit global warming to below 2 degrees Celsius, an estimated \$1 trillion in annual

investment is needed until 2050, according to the International Energy Agency (IEA). Additionally, over \$90 trillion will be invested in global infrastructure by 2030, offering an opportunity to incorporate climate-friendly measures. Climate finance is especially vital for developing countries with limited resources to tackle climate change impacts. This is because SMEs often lack the resources to invest in climate-resilient measures, such as upgrading their infrastructure or adopting new technologies. Another challenge is that SMEs often lack the financial literacy and capacity to access climate finance. The climate finance market itself is often fragmented and complex, making it difficult for SMEs to find the right products and services. The Green Climate Fund (GCF), established under the United Nations Framework Convention on Climate Change (UNFCCC), has a portfolio of \$12 billion (over \$45 billion with co-financing), supporting transformative climate action in 140 countries<sup>3</sup>.

<sup>3</sup> Green Climate Fund - The Green Climate Fund welcomes US contribution of USD 1 billion, 2023

SMEs are a vital part of the global economy, representing about 90% of businesses and accounting for up to 60% of employment in developing countries<sup>4</sup>. They are particularly vulnerable to the impacts of climate change, as they often lack the resources to adapt to changing weather patterns and other climate-related risks. According to World Bank estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a high priority for many governments around the world.

SMEs, often the lifeblood of local economies, are particularly vulnerable to the growing impacts of a changing climate. Meanwhile, supply chains, intricately linking businesses across the globe, stand as both arteries of commerce and conduits of environmental impact. The convergence of adaptation and mitigation within these realms isn't just a strategy—it's a necessity.

As extreme weather events grow more frequent and the fragility of global supply chains is exposed, adaptation strategies become vital lifelines. The ability of SMEs to weather these climate shocks is directly linked to their access to climate finance. By integrating adaptation measures into supply chain finance, businesses can strengthen their resilience against disruptions, ensuring not only their survival but also the continuity of supply chains that drive global commerce.

At the same time, the climate clock continues to tick, urging us to address our carbon footprint. This is where the power of mitigation strategies comes to the fore. In a world where emissions from supply chains contribute significantly to environmental degradation, the integration of carbon reduction targets and sustainable sourcing practices can have far-reaching implications. Climate finance within supply chains becomes a conduit for embracing responsibility, fostering sustainability, and aligning with international climate goals.

Yet, it's not a tale of adaptation versus mitigation—it's a harmonious symphony where these strategies mutually amplify one another. In embracing both, businesses pave the way for resilient supply chains that not only withstand climate shocks but also contribute to a greener future. This dual approach doesn't just safeguard against risks; it engenders transformative change.

In the landscape of climate finance, the empowerment of SMEs and the optimization of supply chains stand as linchpins of success. Collaborative efforts between governments, financial institutions, and businesses can unravel access barriers, creating innovative financing models that support both adaptation and mitigation objectives. Through this collaboration, the narrative of climate finance transcends from a mere financial transaction to a narrative of shared responsibility, sustainable growth, and a future fortified against the vagaries of a changing climate.

Amidst the orchestration of adaptation and mitigation strategies, another transformative melody has emerged—a symphony of improved manufacturing processes within SMEs and supply chains.

By optimizing resource utilization, minimizing waste generation, and fostering a culture of reuse, businesses can create a virtuous cycle of sustainability. This approach aligns seamlessly with both adaptation and mitigation objectives. Waste reduction strategies enhance resilience by lessening the strain on natural resources, while simultaneously reducing carbon emissions associated with production and disposal.

Supply chains, in turn, provide an expansive canvas for these manufacturing innovations to flourish. From adopting circular economy principles to redesigning packaging for enhanced recyclability, the path towards reducing landfill-bound waste is rich with possibilities. Climate finance, through its

<sup>4</sup> <https://www.worldbank.org/en/topic/sme/finance>

infusion of resources and incentives, can become a catalyst for businesses to embark on this transformative journey.

In tandem with improved manufacturing processes, the application of innovative technologies in hard-to-abate sectors presents an amplified potential. In industries notorious for their carbon emissions, like heavy manufacturing and transportation, the adoption of carbon capture and storage, hydrogen fuel cells, and electrification becomes a beacon of hope. Here, climate finance emerges as a catalyst, channelling resources to propel these sectors toward cleaner horizons.

For SMEs, the infusion of cutting-edge technologies offers a dual advantage. By embracing advanced tools, SMEs can enhance their adaptation strategies,

fortifying themselves against the escalating impacts of climate change. Moreover, these technological advancements open avenues for mitigating environmental impacts. Energy-efficient machinery, intelligent resource management systems, and renewable energy integration empower SMEs to lower their carbon footprint while ensuring sustainable growth.

In this intricate dance of adaptation, mitigation, improved manufacturing, and technological change, a holistic narrative unfolds—one that transcends traditional boundaries and paves the way for sustainable progress. As SMEs and supply chains embrace the mantra of waste reduction and reuse, they elevate the resonance of climate finance from a financial transaction to a pioneering force, echoing far beyond balance sheets and reverberating through ecosystems and economies alike.

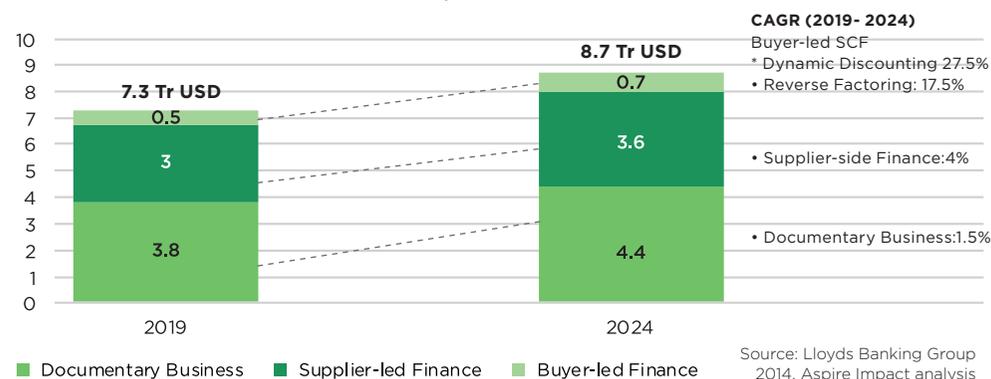
## As GTF/SCF Reaches \$8.7 Trillion By 2024, We Can Address Financing Gaps And ESG/Climate Finance Together

With the projected market size of \$8.7 trillion by 2024 as per McKinsey & Company, GTF and SCF present significant

potential for mobilizing finance towards climate-friendly initiatives and advancing the transition to a sustainable future.

### Global Trade Finance/Supply Chain Finance

Volume Forecast (in Trillion USD) between the years 2019-2024



As per McKinsey's 2020 Global Payments Report, the Global COGS (Cost of Goods Sold) of public and private institutions with spend >\$500 million was \$65 trillion approximately in 2018. Of this, only \$17 trillion is addressable through buyer-led SCF. Of this \$17 trillion:

- \$14 trillion is not financed as it is managed directly by the actors
- \$2.5 trillion is addressed by seller-side finance solutions (e.g., factoring, invoice discounting)
- \$0.5 trillion is addressed by buyer-led solutions
- \$3 trillion is the short-term financing gap, showing significant room for growth of buyer-led solutions

This gap is identified differently by various players. For example, ADB identified this as \$1.7 trillion in 2020, up from \$1.5 trillion in 2018<sup>5</sup>. As per ADB, as a percentage of global good trade, the gap increased to 10% in 2020 from 8% in 2018.

Two Priorities have emerged:

- 1 To address Trade Finance gap
- 2 To create linkages between growing GTF/SCF and ESG/Climate

Although we have some good estimates, as above, for the total GTF/SCF, we do not have good global estimates yet for how much of this is linked to climate or ESG. However, our Expert Groups have later on tried to estimate this based on the sample represented.

Unfortunately, trade financing gaps persist, particularly for SMEs and businesses operating in developing countries due to lack of access to affordable financing, which hinders their ability to engage in sustainable trade activities and adopt climate-friendly practices. Bridging these gaps requires innovative financial solutions, such as green trade finance, that facilitate the integration of ESG and climate considerations into trade transactions.

Similarly, the growing sectors of GTF and SCF present immense potential for addressing these gaps and promoting sustainable trade. GTF focuses on financing projects that facilitate the transition to a low-carbon economy, while SCF emphasizes the integration of climate considerations into financial decision-making. By aligning trade financing with ESG and climate principles, these sectors can support sustainable trade practices, incentivize low-carbon investments, and promote responsible supply chain management.

By proposing innovative financial solutions, we hope to address the trade financing gaps and strengthening the linkages between the growing sectors of GTF/SCF and ESG/Climate. Simultaneously, we can create a more resilient and environmentally conscious global trade ecosystem that contributes to the achievement of sustainable development objectives.

<sup>5</sup> ADB Briefs No. 192 (October 2021); 2021 Trade Finance Gaps, Growth and Jobs Survey

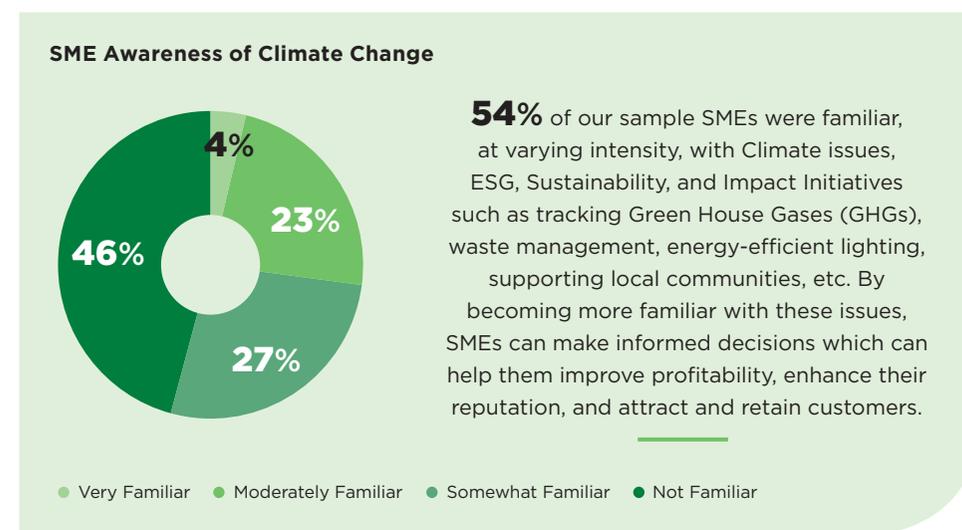
## SMEs can Help Accelerate ESG/Climate Finance

In the global market, financial institutions, fintech's, governments of especially developing economies, and regulators are increasingly coming up with novel ways to help SMEs and Supply Chains counteract the financial impact brought about by climate change.

In the Indian market, additional efforts are

needed to initiate a change in mindset, increase awareness of climate changes, and educate the SME sector on implementing environmental initiatives to positively impact their financial objectives.

Hence, we did a primary survey in India with 107 SMEs to complement the episodic evidence available.

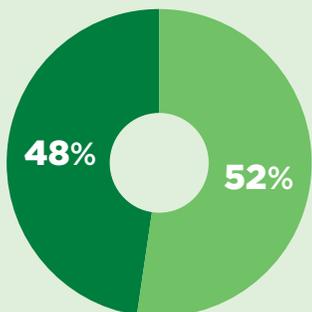


Source: Aspire-M1xchange SMEs Survey

However, it is clear that SMEs, however small or big, are increasingly concerned with environmental and climate changes and the impact it could potentially have on their businesses and in turn on raising funds.

Additionally, we asked our respondent SMEs whether they have ever considered this word environmental impact or risks associated with their business activities?

### SME Awareness of Environmental Risks



**52%** of SMEs have identified at least one specific environmental impact or risk associated with their business activities. These findings suggest that SMEs are increasingly aware of the environmental impacts of their business activities, and that they are either ready or already taking steps to mitigate these impacts.

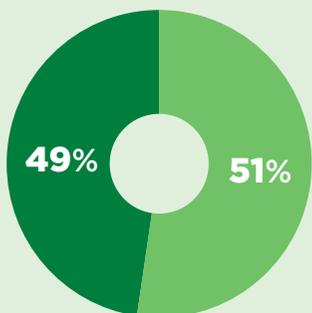
● Yes ● No

Source: Aspire-Mixchange SMEs Survey

With an almost equal division in numbers, the slightly greater number of respondents who responded with a 'yes' shows how climate related issues are slowly but surely gaining prominence at the grassroots

level. On being asked whether they have considered raising capital linked to better ESG performance or climate related initiatives, sheds light on the divided thought process amongst SMEs and Supply Chains.

### SME Awareness of ESG-linked Finance



**51%** of SMEs have considered raising capital that is linked to better ESG performance or Climate related initiatives.

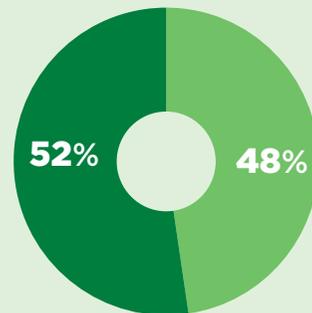
● Yes ● No

Source: Aspire-Mixchange SMEs Survey

In the current market scenario, Indian SMEs and Supply chains consider adapting to changing consumer demands and market trends as a moderately critical value add. We further asked the SMEs in our

survey if they have noticed any changes in customer behaviour or demands related to climate change (e.g., increased demand for sustainable products, eco-friendly services) in the last 1-2 years. They responded as follows:

### SME Awareness of ESG-linked Finance



**48%** of SMEs have noticed changes, while a majority at 52% of sample SMEs have NOT observed changes in customer behaviour or demands related to climate change such as increased demand for sustainable products or provision of eco-friendly services, in the last 1-2 years.

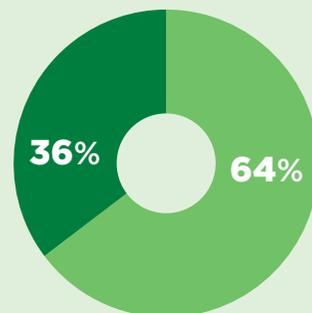
● Yes ● No

Source: Aspire-Mixchange SMEs Survey

Despite, SMEs and supply chains not recognizing any major shift in customer demand, they have proactively adopted strategies to address global environmental concerns. This proactive approach reflects their responsiveness to changing market dynamics and their commitment to

sustainability by incorporating strategies or initiatives to address global environmental issues such as climate change, global warming, etc. Few examples of such initiatives are policies for carpooling, use of renewable energy, reducing energy consumption in office, and recycling and composting.

### SME Strategy Development to Combat Climate Change



The survey found that a significant number of SMEs, i.e., **64%** have implemented sustainability initiatives, such as sourcing and utilizing sustainable materials to address global environmental issues.

● Yes ● No

Source: Aspire-Mixchange SMEs Survey

While climate finance provides much-needed funding to business to implement climate-related projects and initiatives, difficulty in accessing funding does not

provide SMEs the means or capabilities to invest in climate resilience measures, mitigate risks, and enhance their competitiveness in a market increasingly focused on sustainability.

## Unlocking 4x Potential in the Fight Against Climate Change

The SME and Supply Chain sector is primed for growth due to their willingness to grow with the economic conditions and adapt itself to climate changes. However, to scale up growth, they need working or investment capital. Unfortunately, SMEs are often seen as riskier investments than larger businesses. Generally, it is believed there are a number of factors that can make it difficult for SMEs to raise capital, including:

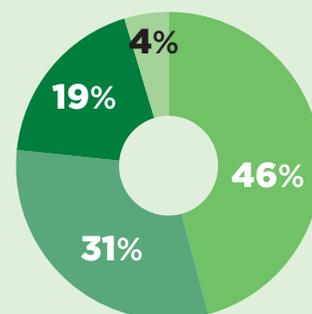
- **Lack of collateral:** When SMEs and supply chains lack substantial assets that banks can use as collateral and fail to showcase robust ESG practices, it heightens perceived risk for investors and lenders. This dual challenge makes it more difficult to secure financing, as the absence of both collateral and strong ESG credentials diminishes investor confidence in their ability to meet sustainability goals and repay capital.
- **Lack of track record and disclosures:** Investors seek evidence of a company's performance and commitment to sustainability. When SMEs and supply chains lack a well-established track record and fail to provide comprehensive non-financial disclosures, investors have

limited visibility into their sustainability efforts and social impact. This lack of information can lead to scepticism and hinder their ability to attract capital, as investors may be hesitant to commit funds without a clear understanding of their ESG practices and potential long-term value.

- **Lack of management experience and diversification in board:** Investors value strong leadership and governance structures. When SMEs and supply chains lack experienced management teams and diverse boards, it can create uncertainty about their ability to effectively navigate challenges and make strategic decisions.
- **Lack of transparency in reporting:** SMEs and supply chains are often unable to provide comprehensive and transparent information about their ESG initiatives, social impact, and environmental performance, which leads to potential investors to perceive higher risks.

To get to the actual ground reality, we asked a sample group of 107 Indian SMEs on how difficult they found raising capital? The results received were quite surprising.

### SME Experience of Fund-Raising



Despite widespread beliefs, our sample indicates that an overwhelming majority of SMEs at **77%** found it comparatively easier to raise capital for their business as compared to just **23%** of SMEs who found it difficult.

● Very Easy ● Easy ● Difficult ● Very Difficult

Source: Aspire-Mixchange SMEs Survey

The growth of ESG/Climate Finance for suppliers is being driven by a number of factors, including growing confidence, confidence amongst SMEs, as shown in the above pie-chart. These factors are likely to continue to grow in the future, which will create new opportunities for suppliers that are looking to adopt ESG practices.

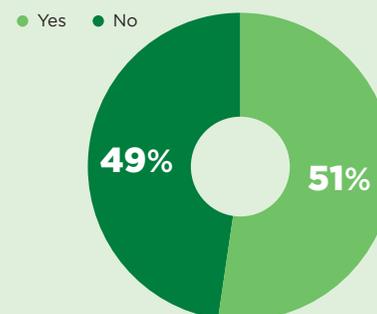
Overall, raising capital can be a challenge for SMEs, but there are a number of resources available to help them. By understanding the factors that can make it

difficult or easy to raise capital, SMEs can increase their chances of success.

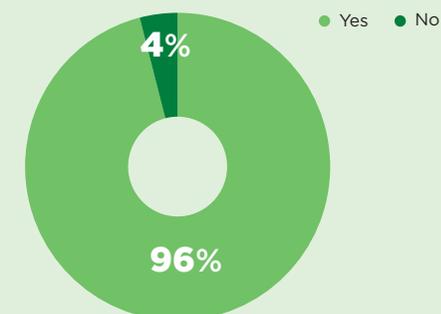
SMEs are willing to raise capital linked to better ESG performance or climate related initiatives due to increasing awareness of the growing importance of ESG to investors and entrepreneurs.

The charts below reflect a growing desire from SMEs to conform to and transition into models best suited to the changing economic environment as well as global social responsibilities.

### SMEs willing to raise capital linked to better ESG performance or climate related initiatives



### SMEs open to implementing sustainable practices if they are able to secure funds at 1% lower interest rate



**96%** of SMEs surveyed were open to implementing sustainable practices with minimum financial incentives. While a majority of SMEs were willing to shift their working capital model to an ESG performance linked one.

Source: Aspire-Mixchange SMEs Survey

Global trends reflect the commitment towards mobilizing financial resources and innovative solutions to combat

climate change and promote sustainability. Some of the key trends observed are:

Institutions	Initiatives	Investments (Sectors/ Products)	Consumption Trends (B2B, B2C)
Clinton Climate Initiative	Providing climate finance	SMEs in Africa	To help adapt to climate change
Global Environment Facility (GEF)	Invested in water conservation projects	Developing countries	Including rainwater harvesting and water recycling
Households	Contributing to climate finance	Purchasing low carbon equipment	Such as solar water heaters or low carbon vehicles
Climate Bonds Initiative	Developing a Climate Bond Standard	Green bonds financing climate-friendly projects	Create a more liquid market for climate finance
MDBs	Climate finance	USD 46 billion in 2019 USD 45 billion in 2020	To developing and emerging economies
European Investment Bank	Providing climate finance	SMEs in Europe	Invest in energy efficiency
Asian Development Bank (ADB)	Invested in climate-resilient infrastructure projects	Asia	Including seawalls, levees, and storm shelters
Bill & Melinda Gates Foundation	Invested in green agriculture projects	Africa	Projects to improve soil health and increase crop yields
World Bank	Providing climate finance	SMEs in Bangladesh	Invest in renewable energy
Sustainable Energy Fund for Africa (SEFA)	Invested in renewable energy projects	Africa	Including solar power plants, wind farms, and small hydro power plants
Green Climate Fund (GCF)	Invested in energy efficiency projects	Developing countries	Projects to improve energy efficiency in buildings and industrial facilities

It is noteworthy that SMEs wield considerable influence within global supply chains, and their adoption of sustainable practices can substantially curtail overall greenhouse gas emissions, resource usage, and ecological impact. Yet, securing

funding for eco-friendly initiatives within SMEs and supply chains within developing nations remains an intricate undertaking. Moreover, the influence of climate change on supply chains introduces an additional stratum of intricacy and susceptibility.

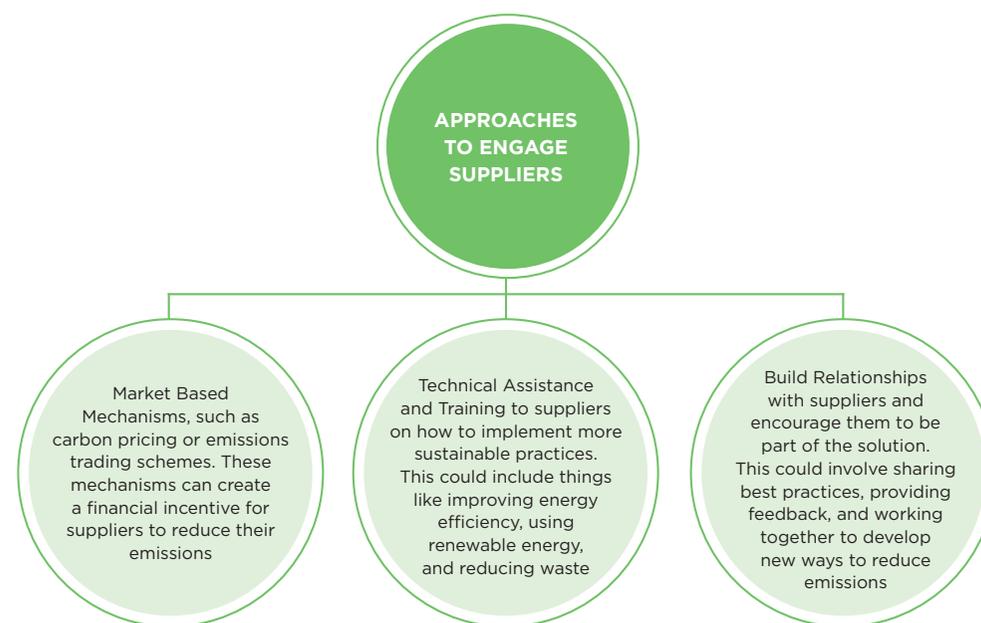
## ESG-Linked Finance Is a Trillion-Dollar Opportunity

Suppliers that contribute the most to climate change are often referred to as the "supply chain hot spots." These suppliers are typically located in developing countries and are involved in the production of goods and services that have

a high carbon footprint, such as electronics, textiles, and food.

There are a number of ways to engage these suppliers in the fight against climate change. Let us look at the three major approaches:

### Approaches to Engage Suppliers in Fight Against Climate Change



Source: Aspire Impact analysis

Engaging suppliers globally to fight climate change is a complex but achievable goal. Three-quarters of global climate investments were concentrated in East Asia & Pacific, Western Europe, and North America, while the remaining regions received less than a quarter. East Asia & Pacific accounted for almost half (USD 292 billion) of 2019/2020 tracked global climate investments, up by USD 43 billion compared to 2017/18. An estimated 81% of

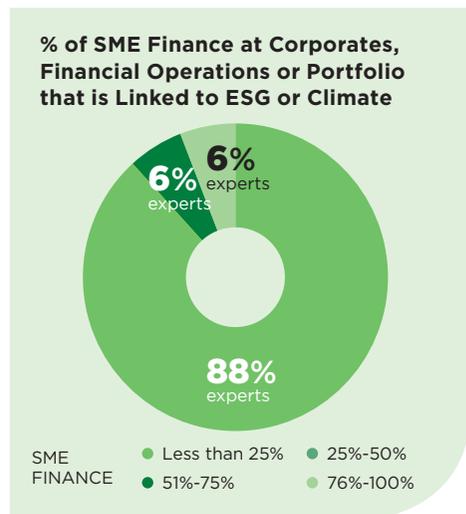
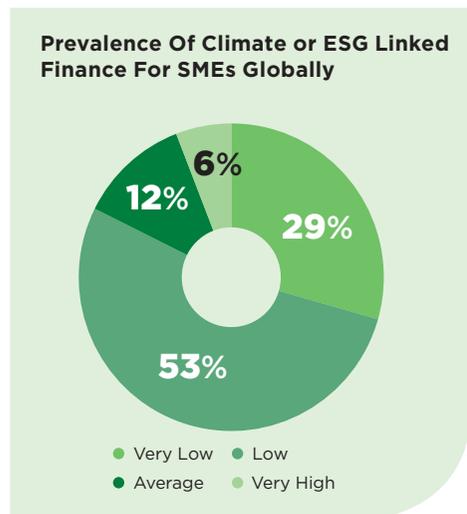
the investments in the East Asia & Pacific region were concentrated in China.<sup>6</sup>

As per our panel of industry experts, majority estimated that less than 25% of supply chain finance is currently used for climate-friendly initiatives. A report by the World Economic Forum estimated that USD 100 billion of supply chain finance

<sup>6</sup> Climate Policy Initiative - Global Landscape of Climate Finance 2021

was used for climate-friendly initiatives in 2020. Though this represents a significant increase from the USD 50 billion that was used in 2015, it is still less than what is

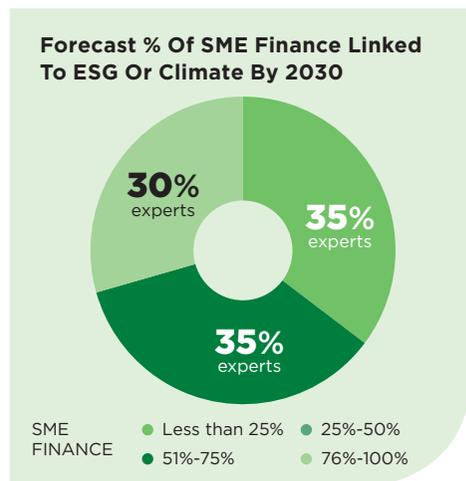
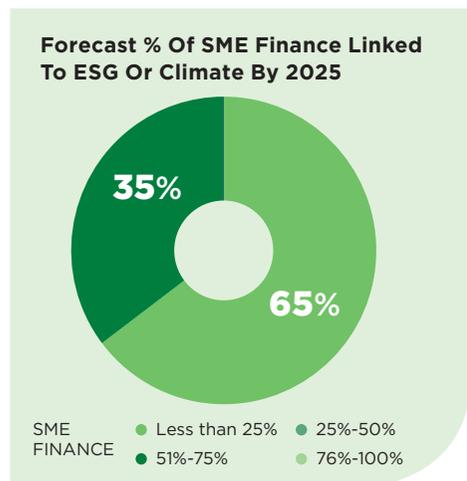
forecast till 2030. This corroborated by what our experts too have forecast for 2025 and 2030 as can be seen from the charts below.



The low prevalence of climate or ESG linked finance for SMEs globally is a reflection of the fact that these businesses are often seen as being too risky for investors. However, the forecasting rate for ESG linked climate finance for 2025 and 2030 suggests that there is a growing demand for this type of finance. This demand is being driven by

a number of factors, including the increasing awareness of the risks of climate change and the growing availability of ESG data and metrics.

As a result, we can expect to see a significant increase in the amount of ESG linked climate finance available to SMEs in the coming years.



Source: Aspire Expert opinion poll

Currently, the prevalence of climate or ESG linked finance for SMEs globally is relatively low with 82% of our experts agreeing with the low reach. However, there is immense potential for its growth in the near future. This potential stems from the increasing importance given to ESG and climate-related considerations by various stakeholders such as corporations, banks, governments, and fintech companies. As the awareness of climate change risks and sustainability grows, these entities are recognizing the need to support and incentivize SMEs in their efforts to address environmental and social challenges. The rising trend of responsible investing and the integration of ESG criteria into financial decision-making further contribute to the momentum for climate-linked finance. As more organizations align their strategies with sustainability goals, the demand for financial products and services tailored to SMEs' climate and ESG initiatives is likely to rise, fostering an environment conducive to the expansion of climate-linked finance opportunities worldwide.

Climate financing for SMEs encompasses various financial mechanisms, incentives, and programs designed to support their efforts in mitigating climate change and adapting to its impacts. Here are some common aspects of climate financing for Indian SMEs:

- **Grants and Subsidies:** Schemes such as the Special Credit Linked Capital Subsidy Scheme (SCLCSS) launched in 2021 or the revamped Credit Guarantee Scheme for MSMEs, effective from 2023, launched by the Indian Government or MSME ministry aided statutory bodies such as the KVIC or the coir board. Subsidies for ESG certifications, independent ESG rating, raising of Green or ESG linked finance are being offered by the Government in few global markets and as our surveys earlier show, may help spur SMEs to adopt and report their Sustainability efforts as well as be better placed to access Sustainable Finance.

- **Green Loans and Bonds:** The market for green bonds has grown rapidly in recent years with the figures reaching a new milestone. The green bond universe topped a record USD 2 trillion in Q2 2023, compared to USD 1.5 trillion a year ago in Q2 2022. This is a significant rise from 2019, when the annual market size was worth USD 525 billion.<sup>7</sup>
- **Green Insurance:** Green insurance is becoming increasingly popular in India due to increased awareness of environmental issues. Renewable energy insurance schemes covering renewable energy projects, green building insurance such as LEED-certified buildings, Sustainable transportation insurance for electric vehicles and car sharing are just some examples of the more commonly available insurance schemes in India currently.
- **Impact Investing:** India is one of the most fertile environments for impact investors to seek opportunities. Some key initiatives include the Atal Incubation Centres, dedicated to nurturing impact-driven startups that bring technological innovation in certain areas. Similarly, the Indian government's Social Stock Exchange (SSE) is a ground-breaking platform designed to bridge the gap between investors and social enterprises. One of India's more recent launches 'The Samridhi Fund,' launched by the Small Industries Development Bank of India (SIDBI)<sup>8</sup>, seeks to provide capital to financially viable social enterprises. Carbon Markets and Offsetting: At present, there are three forms of carbons markets across the world: One, based on the United Nations Framework Convention on Climate Change (UNFCCC); Second, Voluntary, and Third, India's project-based/offset market or Emission Trading Scheme (ETS) based-market.<sup>9</sup> Interoperability and linkages of

<sup>7</sup> <https://www.weforum.org/agenda/2023/03/impact-investors-india-new-research/>

<sup>8</sup> <https://www.weforum.org/agenda/2023/03/impact-investors-india-new-research/>

<sup>9</sup> <https://www.ceew.in/publications/indian-carbon-credit-markets-prospects-and-stakeholder-perspectives>

these markets is a huge prospect for green finance, with multiple benefits such as job creation in the energy sector, reduction in greenhouse gas emissions, and promotion of sustainable development.

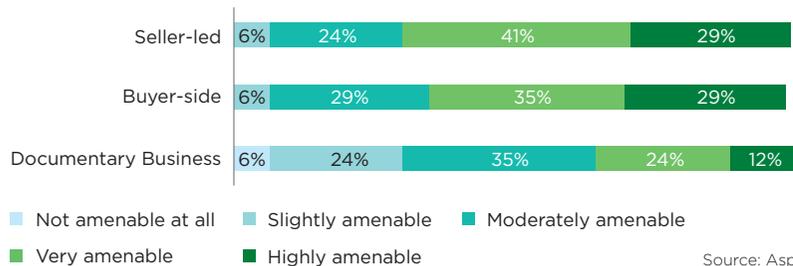
- **Technical Assistance and Capacity Building:** This would help the SMEs to develop and implement climate-friendly projects, build their capacity to manage climate risks and opportunities, and create a more supportive environment for climate action. Some programs that have already benefitted developing nations are: The Climate Technology Centre and Network (CTCN), The Sustainable Energy for All (SE4ALL) Initiative, and The Global Environment Facility (GEF). These are just a few examples that already been implemented and show a way ahead to other such initiatives.
- **Public-Private Partnerships:** India's RBI initiated Trade Receivables Discounting System (TReDS) is a perfect example on how SME firms supplying goods and services to their buyers can get their receivables discounted from multiple Financiers. Financiers make the entire credit access process effortless basis the credit profile of Buyer. The added benefit is that with effect from 2023 this facility is getting extended to Deep Tier SMEs in Supply chain cycle.
- **Rating:** SEBI has been progressive in

issuing guidelines for ESG rating providers and create an India based rating system which will help distinguish companies on their ESG performance and help better rated SMEs to attract ESG/Climate focused capital. Establishing or repurposing existing organizations like BEE to provide certification on certain activities like Energy Efficiency akin to Green Building certification by IGBC will help set market standards, provide confidence to banks/ financial institutions and help better performing SMEs attract capital.

The diverse financial mechanisms, incentives, and programs tailored to their needs empower SMEs to actively contribute to mitigating climate change and adapting to its consequences. By providing accessible funding, technical assistance, and capacity building, these initiatives enable SMEs to implement green technologies, reduce emissions, and enhance climate resilience. As SMEs are essential drivers of economic growth and innovation, empowering them through climate financing not only bolsters their competitiveness but also fosters a greener and more sustainable future for our planet.

Climate financing for SMEs and Supply Chains is essential in driving the transition towards a low-carbon and sustainable economy. In 2023, private finance accounted for around 65% of the total climate finance market size.

**% Respondants Believe In the Amenability Of Financial Instruments For ESG Or Climate Linked Finance**



Majority of our panel of experts were of the opinion that supply chain financial instruments can be adapted or modified in some or the other degree to align with sustainability goals and address climate-related challenges.

When we discuss climate finance, focus should not only be on new “Green” instruments but also on innovation of existing financial instruments. It is imperative for financial institutions and banks to be able to reuse existing instruments by incorporating ESG best practices or climate considerations in their design and operation.

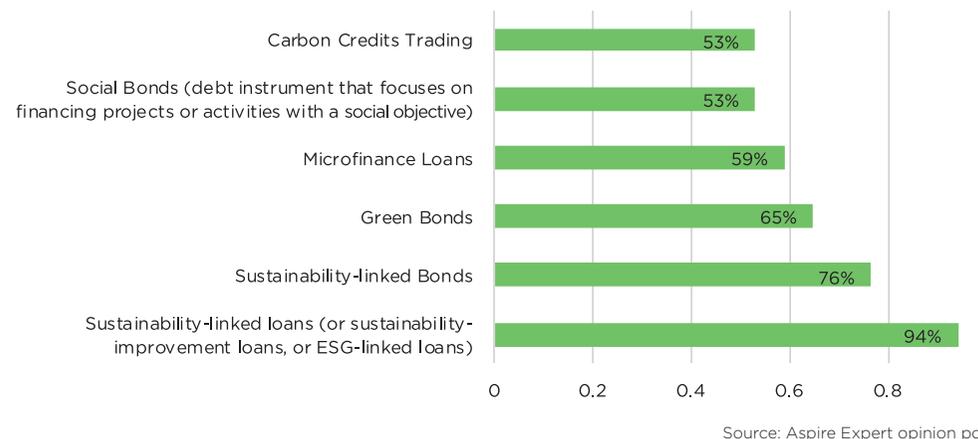
Overall, the amenability of financial instruments for ESG or climate-linked finance is increasing. This is due to a number of factors, including the growing demand for sustainable and climate-friendly investments, the increasing availability of ESG-related data, and the development of new financial instruments that are designed to support ESG or climate-linked projects.

When we look at the overall trade finance market, it can be observed that some of the factors that banks and financial institutions look at in relation to financing SMEs and Supply Chains, is their credit worthiness, availability of collateral, documentation, and trade compliance, amongst others. Most banks reject only a small percentage of trade finance applications, with 62% rejecting between 0-10% of applications in 2019<sup>10</sup>. However, within this small rate, the rate of rejection of SME applications, especially from Africa and Central/ Eastern Europe, is comparatively higher.

There is early evidence to suggest that climate-linked financial instruments can help to reduce the risk of trade finance application rejections and consequently, promote more sustainable trade practices and contribute to global efforts to combat climate change and promote sustainable development.

<sup>10</sup> <https://www.tradefinanceglobal.com/wp-content/uploads/2022/07/SME-Trade-Finance-Research-final.pdf>

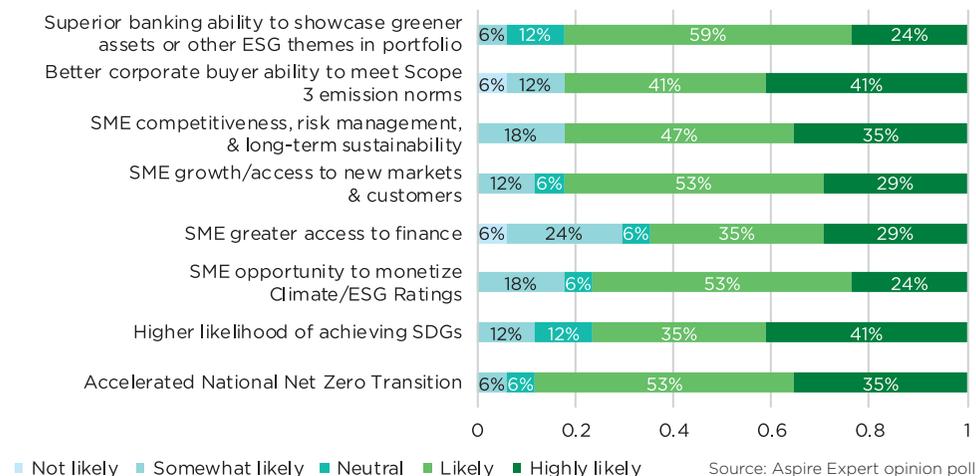
**Corporates, Financial Institutions, fintech’s, etc, believe these are the financial instruments that are likely to help SMEs access ESG or climate linked finance**



In the above chart results, it can be observed that our experts believe most in the efficiency of sustainability linked loans,

followed by sustainability linked bonds, as the major green instruments which would help SMES access climate financing.

**% likelihood of benefits by integrating climate or ESG-linked finance for SMEs**



Our experts also believe that integrating climate or ESG-led financial incentives to SMEs, not only would SMEs benefit, but also corporates, banks, and financial institutions. This in turn would help economies move towards the net zero goal.

Currently, as the above charts show, a small fraction of banking finance and GTF is linked to ESG/Climate. As we increase GTF and SCF over the next decade, and especially ensure that SMEs monetize their green ratings, the blended interest cost of SMEs has the potential to go down.

ESG-linked finance opens doors to a wide range of opportunities across various sectors and industries. The trillion-dollar opportunity lies in the power of ESG-linked finance to mobilize capital at an unprecedented scale. As investors increasingly prioritize sustainability, ESG-aligned companies gain a competitive advantage in accessing capital and

attracting investments. The integration of ESG criteria into financial instruments, such as green bonds, sustainability-linked loans, and ESG-focused investment funds, allows investors to channel funds into businesses that demonstrate strong ESG performance.

Furthermore, ESG-linked finance drives innovation and fosters the development of new financial products and services. Financial institutions have the opportunity to create customized ESG investment portfolios, provide ESG-related advisory services, and develop sophisticated risk assessment tools that incorporate ESG factors. This stimulates market growth, fosters sustainable business models, and encourages transparency and accountability among companies.

By embracing this opportunity, we can foresee that financial institutions, businesses, and investors can collectively contribute to a more inclusive, resilient, and sustainable future for generations to come.

## 2 | Designing Climate Finance Initiatives for SMEs and Supply Chains

In this chapter we will explore the opportunity and potential for SMEs and supply chains. By accessing climate finance, they can invest in green technologies, enhance resource efficiency, and adopt sustainable practices. This not only aligns them with environmental and social goals but also positions them as attractive partners to corporations and investors who prioritize ESG considerations. This chapter is broken down into three sections:

- SMEs and Supply Chains can Embrace ESG Through Traditional or Digital Financing Channels
- Suppliers Embracing ESG/Climate Finance Will Benefit Significantly More Than their Peers

We conclude this chapter with a belief that collaboration among corporations, financial institutions, suppliers, and platforms is essential in unlocking the full potential of ESG-linked finance and accelerating the transition towards a more sustainable future

- Corporations are pioneering SMEs & Supply Chain linkage to ESG

Determining climate finance initiatives that leverage supplier needs and behaviours requires careful juxtaposition of social or environmental impact, financial interests and capabilities or motivations of suppliers. Suppliers in developing countries often face unique challenges, including limited resources, inadequate infrastructure, and varying degrees of environmental awareness. Understanding their needs involves recognizing the

financial constraints and technical barriers they encounter while striving to maintain their businesses. Additionally, supplier behaviours encompass their current environmental practices, willingness to adopt sustainable measures, and their commitment to reducing carbon emissions and ecological footprints.

The chart below highlights a few climate finance initiatives based on supplier needs and behaviours:

**Climate Finance Initiatives Based on Supplier Needs and Demands**

Supplier Needs	Climate Finance Mechanisms	Examples
Financial support	Grants, loans, guarantees, equity investments	The Green Suppliers Network provides grants to suppliers committed to sustainability. The Climate Smart Agriculture Fund provides loans and grants to farmers implementing climate-smart agricultural practices.

Supplier Needs	Climate Finance Mechanisms	Examples
Technical assistance	Training, mentoring, coaching	The Clean Energy Challenge provides technical assistance to businesses that are developing innovative clean energy technologies.
Market access	Discounts, procurement preferences, access to new markets	The European Union's Green Public Procurement Directive requires public buyers to consider the environmental impact of their procurement decisions.
Risk mitigation	Insurance, hedging, risk sharing	The World Bank's Climate Risk Insurance Facility provides insurance to farmers and other small businesses in developing countries to help them cope with the effects of climate change.

Source: Aspire Impact analysis

It is easy to note from the examples above that addressing supplier needs and influencing positive behaviours through climate finance initiatives can empower suppliers to embrace eco-friendly technologies, adopt sustainable sourcing practices, and contribute to the overall climate resilience of developing economies.

Designing climate finance initiatives that effectively leverage supplier needs and behaviour is a crucial step towards achieving sustainability goals. By aligning financial support with the specific requirements and motivations of suppliers, these initiatives can drive significant positive change throughout supply chains.

While understanding and addressing the needs of suppliers is essential for successful implementation, it is equally important to leveraging supplier behaviour. By incorporating incentives, rewards, and capacity-building measures, climate finance

initiatives can encourage suppliers to embrace sustainable behaviours and drive improvements in their environmental and social performance. This, in turn, creates a ripple effect, fostering sustainable practices across the entire supply chain.

However, we should not neglect the adverse effects of trying to incorporate ESG measures such as increased costs for suppliers due to need for new technologies or specialized equipment's; reduction in the flexibility of suppliers, due to adherence to strict environmental or social standards; exposure to new risks, such as the risk of supply chain disruptions; or lack of support from customers due to unwillingness to pay premium for sustainable products.

It is therefore important for SMEs and Supply Chains to note that these are just potential harmful impacts, and the actual impact of suppliers trying to embrace sustainable behaviors will vary depending on the specific circumstances.

## Corporations are Pioneering SMEs & Supply Chain Linkage to ESG

Big Business and Corporate Buyers, contrary to popular perception, are actually pioneering the work of linking their SMEs and Supply Chain to ESG or Climate. They are clearly the harbingers of change, part motivated by genuine good citizenship using business as a force for good, and partly, acutely aware about their

Scope 3 emissions, Net Zero targets and responsibilities for greening their supply chains and value chains.

Corporations are playing a pivotal role in driving ESG integration within SMEs and the broader supply chain and fostering a more sustainable and responsible business ecosystem by initiating the following steps:

### Corporates Role in Driving ESG Integration within SMEs and Supply Chains



Source: Aspire Impact analysis

These steps are important because they can help to improve the ESG performance of SMEs. They can also help to reduce the exposure of corporations to ESG risks. Additionally, by being transparent about the ESG performance of their supply chains, corporations can enhance their own reputation with investors, customers, and

other stakeholders. Notwithstanding the positive impacts, it is equally important to be aware of the potential downsides such as costs and risks involved before embarking on a journey to improve ESG performance. However, it is worth noting that the benefits of improving ESG performance often outweigh the costs.

**OUR PANEL OF INDUSTRY EXPERTS BELIEVE AS FOLLOWS**



Source: Aspire's Expert Opinion Poll

63% of our industry experts believe that corporate buyers have already started initiating steps to integrate SMEs with ESG and the next five years is the time frame that they believe SMEs will take to incorporate them. For example, some corporate buyers are mandating suppliers

to meet certain ESG standards, while others are providing training and resources to help SMEs improve their ESG performance. Experts believe that while it will take SMEs some years to fully incorporate ESG into their operations, the benefits of doing so will outweigh the costs.

Early Steps that corporations are taking to enable free movement of finance to SMEs and linking it to ESG or Climate:

**FINANCIAL INCENTIVES**

- Olam International Limited, Singapore is uses multi-capital accounting to identify more sustainable strategies for its highest-impact issues related to human, natural and societal capital through its Integrated Impact Statement (IIS). IIS puts value to sustainability efforts.
  - » All Olam Agri farmers are supported through training and incentive programs. Around 200 of them are certified under the Sustainable Rice Platform (SRP)
  - » Scaling initiatives through its AtSource sustainability insights digital platform that tracks key sustainability metrics and traceability on a farm-by-farm basis
  - » Olam has also been working with Enterprise Singapore to create a standardized approach for small and medium-sized enterprises to report on their environmental performance

**GREEN LOANS**

- In 2020, Apple announced that it would be providing \$1 billion in financing to its suppliers to help them invest in more sustainable practices. This financing will be used to fund projects such as the installation of solar panels at factories, the development of water-saving irrigation systems, and the implementation of waste reduction initiatives.

**PE/VC FUNDS**

- Danone launched a €100 million fund in 2009, the Danone Ecosystem Fund. The fund primarily targets SMEs and local farming communities that are critical to Danone's value chain, provides to farmers at more affordable rates. As of 2023, the fund has €207 million engaged via co-funding

**BILL DISCOUNTING**

- M1xchange's TReDS platform in India helps MSMEs get their invoices discounted at competitive rates and maintain sufficient cash flow for business activities.
- KredX, an invoice discounting platform provides SMEs with credit against unpaid invoices so that they can strengthen their working capital.

**GREEN FINTECH**

- AirCarbon, which enables the trading of carbon credits, and Poseidon, which integrates carbon offsets into everyday purchases.
- Abundance Investment and Trine, which offer opportunities to invest in solar, wind, and other sustainable energy projects.
- Companies such as Doconomy offer carbon footprint tracking and offsetting options within their payment apps, enabling users to monitor and reduce their carbon impact.

**PARTNERSHIPS**

- Walmart's Project Gigaton is an initiative in partnership with suppliers and other stakeholders to reduce or remove one billion metric tons (a gigaton) of greenhouse gases from the environment by 2030. HSBC has been in collaboration with Walmart since 2019 to help Walmart provide its suppliers access to low-cost financing, to invest in new energy-efficient technologies. This has helped Walmart's suppliers to reduce their energy consumption by an average of 15% Walmart created workshops to educate and support its suppliers to build business cases for change. As of 2022, 4,500 of Walmart's suppliers currently participate which is 70% of its business. A detailed discussion on HSBC-Walmart is shared later on.

- Nike uses SCF to help its suppliers improve their water efficiency by investing in more efficient water management systems. This has helped Nike’s suppliers to reduce their water consumption by an average of 20%.
- In 2017, Nike partnered with GreenLight Planet to provide financing to its suppliers in India who were working to improve their energy efficiency. This financing helped suppliers to invest in new energy-efficient technologies, which resulted in a reduction in energy consumption and greenhouse gas emissions.
- In 2018, Nike launched a new program called the Sustainable Apparel Finance Initiative (SAFI) in collaboration with financial institutions that provides financing to Nike’s suppliers who are working to improve their environmental and social performance. SAFI has helped to finance a number of projects, including the installation of solar panels at factories, the development of water-saving irrigation systems, and the implementation of waste reduction initiatives.

**SUPPLIER ESG ASSESSMENTS**

- In 2018, Apple Inc. launched a new program called the Supplier Responsibility (SR) Assessment. The SR Assessment is a comprehensive assessment that evaluates suppliers’ performance on a number of ESG metrics, including environmental impact, social responsibility, and governance. Suppliers who score well on

the SR Assessment are more likely to be approved for SCF.

- Olam has developed its own platform for sustainable sourcing named AtSource to monitor the sustainability/EHS performance for its sourcing operations. The platform addresses the ESG gap in supply chain by requiring that suppliers working with Olam minimally commit to Olam’s Supplier Code which requires responsible business practices from suppliers. Olam has defined mandatory KPIs for all 12 sustainability modules on AtSource (e.g., labour, health and safety, diversity and inclusion, food safety and quality, Greenhouse Gas (GHG) emissions, forest protection, and water use).

By fostering the linkage between corporations, SMEs, and supply chains, ESG principles are becoming embedded throughout the entire business ecosystem. Corporations are setting higher standards, demanding transparency, and requiring ESG performance from their suppliers. This shift is not only driven by the need to meet regulatory requirements and stakeholder expectations but also by the recognition that sustainable and responsible practices contribute to long-term business resilience and success.

Through their leadership, support, and demand for sustainable practices, corporations are driving positive change and shaping a business landscape that embraces sustainability as a core value.

## SMEs And Supply Chain Can Embrace ESG Through Traditional or Digital Financing Channels

SMEs and supply chains play a crucial role in shaping the global economy. From our survey, it is clear that SMEs across the world and especially in India, while forming 60% of the workforce, are aware of ESG and Climate impact but are unable to inculcate these initiatives in their system and benefit from financial instruments that are linked to SMEs and Supply Chain ESG performance. Until and unless, suppliers (SMEs) are open to new technologies and practices, and are willing to share data and information about their environmental

performance, they would always be a non-viable option to receiving financing.

To support the ESG and climate-linked transition, SMEs and supply chains can leverage both traditional and digital financing channels to embrace ESG practices and foster positive social and environmental impact. Please refer to the table below for some of the more commonly used Traditional and Digital financial channels that are currently available in the marketplace with their level of ESG integration:

**Financing Channels**

Financing Channels	Examples	Types of Products	Level of ESG/Climate Integration	Modus Operandi
Commercial Banks	JPMorgan Chase, Bank of America, HDFC Bank, ICICI Bank, SBI, HSBC	Business Loans/ Green Loans, Trade finance, Supply Chain Finance	Low to Medium	Providing loans and credit to businesses, but some banks are starting to incorporate ESG considerations in their lending practices
Development Finance Institutions	ADB, IFC, SIDBI	Letters of Credit, Long-term loans, Project financing, grants	Medium to High	Fund development projects, infrastructure, and economic growth in developing countries
Private Equity & Venture Capital Firms	Blackstone, KKR, Sequoia Capital, Accel Partners	LT Investments (5-10 years)	Medium to High	Investing in private companies from early-stage startups to pre-IPO companies;
Government Grants	National Science Foundation (NSF)	Research Projects	Medium to High	Providing funding for research and development projects, some grants are specifically earmarked for ESG and climate-related initiatives
Bonds and Debentures	Green Bonds, Blue Bonds, Climate Bonds	Debt Securities	Low to Medium	Issuing debt to investors, but some bonds are now structured as green bonds or sustainable bonds to finance environmentally friendly projects

Financing Channels	Examples	Types of Products	Level of ESG/Climate Integration	Modus Operandi
Green Bonds Platforms	Climate Bonds Initiative, Truvalue	Green Bonds	High	Connecting issuers of green bonds (environmentally friendly projects) with investors seeking sustainable investment opportunities
Crowdfunding Platforms	Kickstarter, Indiegogo	Sustainable Projects	Medium	Facilitating crowdfunding for eco-friendly projects and startups, enabling individuals to support sustainability initiatives
Peer-to-Peer Lending	LendingClub, Funding Circle	Green Loans	Low to Medium	Connecting borrowers seeking sustainable projects with individuals willing to lend money
Sustainable Impact Investing	Swell Investing, Openinvest	Sustainable Investment Portfolios	High	Offering investment portfolios aligned with ESG principles, focusing on positive social and environmental impacts
Carbon Credit Marketplaces	Nori, Pachama	Carbon Credits	High	Creating platforms for buying and selling carbon credits to support carbon offset projects and combat climate change

Source: Aspire Impact analysis

The level of ESG/Climate Integration may vary among different platforms within each category, and the modus operandi can change as these traditional as well as digital financing channels evolve to meet market demands.

In recent years, there has been a notable shift towards digital financing channels as a means for SMEs and Supply Chains to embrace ESG practices. These digital platforms offer innovative solutions that integrate ESG considerations into financing decisions, providing SMEs and supply chain participants with increased access to capital that aligns with their sustainability goals. Through sustainable crowdfunding platforms, impact investment platforms, and ESG-focused peer-to-peer lending,

SMEs can connect with a community of environmentally conscious investors and secure funding for eco-friendly projects.

While traditional financing channels still play a significant role, there is an increasing prevalence of digital financing channels as it not only expands the range of funding options available to SMEs and supply chains but also promotes transparency, efficiency, and accountability in the pursuit of sustainable business practices.

Through traditional or digital financing channels, businesses can access capital, resources, and expertise to implement ESG initiatives, thus becoming powerful agents of positive change, and driving the transition towards a more sustainable and inclusive future.

## Suppliers Embracing ESG/Climate Finance Will Benefit Significantly More Than Peers

Suppliers embracing ESG/Climate Finance can benefit significantly more than their peers. We highlight below the importance of suppliers proactively embracing ESG/Climate Finance to harness the significant advantages and seize the potential for sustainable development in today's business landscape.

- Access to new markets: As more and more companies adopt ESG standards, there will be a growing demand for products and services from suppliers that can meet these standards. This means that small suppliers that embrace ESG will have access to new markets that would not be available to them otherwise.
- Reduced costs: ESG initiatives can help small suppliers to reduce their costs in a number of ways. For example, energy-efficient practices can help to reduce energy costs, and water conservation

measures can help to reduce water costs.

- Improved reputation: ESG initiatives can help to improve the reputation of small suppliers, which can lead to increased sales and market share. For example, a supplier that is known for its commitment to sustainability may be able to charge a premium for its products or services.
- Attraction of new investors: ESG initiatives can help small suppliers to attract new investors. Investors are increasingly looking to invest in companies that are committed to ESG, and this can provide small suppliers with access to much-needed capital.

Here are some examples of suppliers successfully incorporating ESG and Climate initiatives in their working channels and receiving climate finance funding from big banks or financial institutions:



### Grameen Shakti, a microfinance organization in Bangladesh

Is using ESG initiatives to provide solar energy to rural communities. The company provides loans to people to purchase solar panels, and the proceeds are used to install and maintain the panels. It receives funding from the World Bank, UNDP, and the Global Environmental Facility (GEF)



### Wecyclers, a social enterprise in Nigeria

Works to collect and recycle plastic waste and receives funding from the Bill & Melinda Gates Foundation, the MacArthur Foundation, the GEF, and the Rockefeller Foundation



**Husk Power Systems, a clean energy provider in India**

Provides renewable energy solutions in rural areas by converting rice husks into clean electricity. Their decentralized power plants offer clean energy access to remote communities while reducing reliance on fossil fuels. Husk Power Systems has received investments and climate finance funding from multiple organizations, including the International Finance Corporation (IFC) and the Dutch Development Bank (FMO)



**Ecozen Solutions is an Agri-tech company in India**

Provides solar-powered cold storage solutions for agricultural produce. Their innovative technology helps reduce post-harvest losses and enables farmers to access better markets. Ecozen has received funding from various sources, including Rabobank’s Rabo Foundation, which supports sustainable initiatives

Small suppliers that proactively embrace ESG/Climate finance can create positive environmental and social impacts while securing long-term business success.

### 3 Imminent Climate or ESG-linked Finance: Global Experience & Experiments

In this chapter we will examine real-life case studies to understand the prevalence of ESG and climate-linked SME finance around the world. This chapter consists of seven case studies:

- 1 HSBC and Walmart
- 2 Taulia and EcoVadis
- 3 RABC and Global Initiatives
- 4 Deutsche Bank and Henkel
- 5 Citi and Henkel

- 6 M1xchange
- 7 Protean

The case studies presented in successfully implementing climate and ESG-linked financial initiatives or envisioning them, through a platform for SMEs and supply chains highlight the transformative power of integrating climate considerations into financial support. By adopting these lessons and leveraging key success factors, stakeholders can replicate and scale up successful climate finance initiatives.

Climate or ESG-linked finance has transitioned from a theoretical concept to practical implementation by corporates, banks and digital platforms to support SMEs. Early evidence demonstrates the steps taken in this domain, indicating a strong commitment to leveraging finance as a catalyst for positive environmental and social impact.

Corporations are engaging in collaborative initiatives, industry working groups, and partnerships to develop industry standards, share best practices, and drive collective action on climate and ESG-linked finance. These collaborations facilitate knowledge sharing and promote the adoption of sustainable finance practices.

Financial institutions are developing ESG-linked financing programs tailored

specifically for SMEs. These programs provide favourable terms and incentives to SMEs that integrate ESG practices into their operations, helping them access capital for sustainable initiatives.

Similarly, some corporates are also implementing supplier engagement programs focused on ESG performance. By actively working with their suppliers, these corporates encourage and support SMEs in improving their sustainability practices, which may include providing access to financing options or technical assistance.

We were able to gather some evidence of early action with successful platform-based financial instruments, which showcase the path for financial institutions and banks in ESG-linked SME finance.

## 1 HSBC & Walmart – Improved Financing through Sustainability Standards Checks



### BACKGROUND

As a leading international bank, HSBC plays a unique role in supporting a shift to sustainability in global supply chains. HSBC is embedding sustainability into the products and services it offers to customers, with the aim of supporting the sustainable development of its customers' supply chains.

### OPPORTUNITY

HSBC and US retail giant Walmart have partnered to roll-out a finance programme that pegs a supplier's financing rate to its sustainability standards. Under this scheme, Walmart's suppliers who demonstrate progress in their sustainability credentials will have access to improved financing from HSBC.

HSBC and Walmart partnered with Carbon Disclosure Project (CDP), to help score the suppliers.

- Smaller and medium-sized businesses can take advantage of special financing to make the necessary investments in their sustainability journeys
- With CDP scoring added to the mix, the program provides suppliers with one more way to take advantage of improved financing through progress and disclosure
- Suppliers can approach HSBC for early payment on invoices approved by

Walmart, with pricing on the financing linked to the supplier's CDP scores, targets and reported impact.

- HSBC estimated that \$25 to \$50 trillion of investment will need to be directed to small and medium enterprise companies to transition supply chains to net zero.
- Benefit to suppliers as smaller suppliers can get paid earlier through HSBC at preferred rates because of Walmart's stronger credit rating

### HOW IT WORKS

Suppliers' progress will be measured against Walmart's Project Gigaton<sup>11</sup> and Walmart Sustainability Index Program, developed by The Sustainability Consortium (TSC)<sup>1</sup>. Project Gigaton is an initiative Walmart launched to rid one billion metric tons (a gigaton) of greenhouse gases from their global value chain by 2030.

In case of CDP score, CDP is involved in two ways:

First, CDP provides HSBC with data on the environmental performance of Walmart suppliers. This data is used to assess suppliers' eligibility for financing under the SSCF program.

Second, CDP provides training to Walmart suppliers on how to improve their environmental performance. This training helps suppliers to understand the environmental risks and opportunities associated with their businesses, and to develop plans to reduce their environmental impact.

<sup>11</sup> <https://www.businesswire.com/news/home/20190417005947/en/HSBC-and-Walmart-Join-Forces-on-Sustainable-Supply-Chain-Finance-Programme>

### TARGETS

- Reduce absolute scope 1 and scope 2 GHG emissions by 35% by 2025 (previously 18%) and by 65% by 2023 (2015 base year)
- 100% renewable electricity by 2035

To date, over 3,100 suppliers have signed on to the initiative as of 2020, resulting in cumulative avoided emissions of 416 million metric tons of CO<sub>2</sub>e since 2017.

### CLIENT NEEDS

- Avoid 1 billion metric tonnes of GHG from entering the global value chain by 2030
- Increase participation level of suppliers in CDP disclosures
- Incentivize suppliers to adopt science-based targets and international reporting standards

### SOLUTION

- Since 2019, HSBC has extended Sustainable Supply Chain Finance (SSCF) program, that allows Walmart's suppliers who demonstrate progress in Project Gigaton to obtain improved financing rates
- Enhanced the existing SSCF to incorporate new key performance indicators linked to suppliers CDP score and SBTi targets
- The SSCF will offer improved financing rate if the supplier can achieve any of the following criteria:

- » Sparking change by setting SMART goal in one of the six pillars - Energy, Waste, Packaging, Nature, Transportation, and Product use & design
- » Obtain a minimum score of 'C' as the CDP score
- » Have science-based targets validated by SBTi

### BENEFITS TO CLIENT - WALMART

- Encourages sustainability in their own supply chain
- Allows Walmart to integrate sustainability as a core metric
- Reinforces a positive brand reputation

### IMPACT

- The SSCF program has had a positive impact on the environmental performance of Walmart suppliers. In the first year of the program, suppliers that received financing under the SSCF program reduced their greenhouse gas emissions by an average of 10%.
- The SSCF program has also had a positive impact on the financial performance of Walmart suppliers. Suppliers that received financing under the SSCF program were able to access lower-cost financing, which helped them to improve their profitability.

## 2 Taulia & EcoVadis - Building Sustainable Supply Chain



Taulia, based in US, now part of SAP, is a global supply chain finance platform which offers products like dynamic discounting, factoring and reverse factoring among others to corporates to ensure their supply chain is well-funded and prepared for growth. EcoVadis is one of the world's leading ESG ratings agency.

### PROBLEM / OPPORTUNITY

90% of a company's environmental impact lies within its supply chain. However, incentivizing suppliers to adopt sustainable practices remains a challenge. Identifying and tracking suppliers who make steps towards ESG goals and incentivizing their efforts in a meaningful way is the core objective which Taulia and EcoVadis jointly set out to solve for.

### SOLUTION

Taulia's solution allows businesses to track their suppliers' ESG performance and incentivize improvements via financial benefits. This solution aids companies in making their publicly stated ESG goals a reality. It facilitates the definition, setup, roll out, and scaling of their ESG programs across their entire supplier base.

There are three core pillars around which the solution is structured:

- **Benchmarking:** Taulia's solution integrates data from ESG ratings providers like EcoVadis, suppliers, or company scorecard data. The collated report allows executive

teams to assess supplier ESG alignment.

- **Tracking ESG Performance:** Companies can identify, monitor, and track suppliers' ESG performance, allowing a more ethical sourcing approach.
- **Financial Incentives:** Connecting ESG qualifications with financial benefits like early payment discounts motivates suppliers to improve their ESG performance over time.

### HOW IT WORKS

The solution is tailored to a business's ESG vision. Taulia works closely with businesses to create measurable objectives and scale them across the supply chain. It incorporates multiple data sources, enabling a comprehensive view of supplier progress relative to company goals.

Suppliers can access a low financing rate with their ESG qualifications. This acts as an incentive for them to participate and make operational improvements, enhancing their ESG standing. The system thus aids in combating 'greenwashing' claims from potential detractors.

### KEY FEATURES OF THE TECHNICAL SOLUTION INCLUDE:

- **Supplier Liquidity Segments:** Companies can set specific financing rates for supplier groups meeting performance objectives or certain criteria.
- **ESG Performance Dashboard:** An interactive data visualization tool that provides a comprehensive view of supply chain performance from multiple scoring sources.
- **Supplier Self-Service:** Suppliers can quickly and easily enrol, record, and share their ESG scores.
- **Flexible Funding:** Rules for funding allocation can be dynamically updated based on liquidity goals or modified on the fly for new ESG initiatives.

## BENEFITS

With Taulia's Sustainable Supplier Finance partnered with EcoVadis' vast reach in ESG ratings, companies can implement a reward structure based on their specific ESG objectives. They can also monitor and report cumulative progress towards ESG objectives to their board, offering suppliers a financial 'carrot' for participation in the program and achieving their ESG targets.

As a result, companies can source more responsibly, construct a sustainable supply chain, stimulate meaningful social change, and enhance their brand equity and reputation.<sup>12</sup>

<sup>12</sup> <https://taulia.com/company/news/press-releases/taulia-ecovadis-partner-to-build-sustainable-supply-chains/>

## 3 RABC Group, Banco, & Global Initiatives - Making Finance Inclusive and Green



RABC Group is Singapore-based fintech firm with subsidiaries in China and Japan. In 2018, it founded a Neobank platform- Banco, to provide better, faster, and cheaper financing solutions for SMEs and enterprises in Asia. The platform uses big data and artificial intelligence to match SMEs with the right financing products and providers. RABC Group recognized the growing importance of environmental and social responsibility and the potential impact on its reputation, stakeholder relations, and long-term profitability.

### OPPORTUNITY

To address the sustainability challenge, RABC Group identified an opportunity to partner with Global Initiatives, an organization specializing in sustainable development and corporate social responsibility. This partnership aimed to enhance RABC Group's sustainability

practices and position the company as a leader in sustainable business within its industry.

### SOLUTION

RABC Group collaborated with Global Initiatives to design and implement a comprehensive sustainability program. The program had multiple components, including stakeholder engagement, carbon footprint reduction, community development, and responsible supply chain management. To achieve these goals, RABC Group decided to leverage its relationship with Banco, a leading financial institution, to provide the necessary funding and expertise.

The collaboration among RABC Group, Global Initiatives, and Banco involved a phased approach to implementing the sustainability program:

- **Assessment and Strategy Development:** Global Initiatives conducted an extensive assessment of RABC Group's current sustainability practices and identified areas for improvement.

Based on the assessment findings, RABC Group and Global Initiatives worked together to develop a customized sustainability strategy aligned with the company's values and long-term objectives.

- **Stakeholder Engagement:** RABC Group recognized the importance of engaging internal and external stakeholders to drive sustainability efforts.

Global Initiatives facilitated stakeholder workshops, interviews, and surveys to gather input and foster collaboration among employees, customers, suppliers, and local communities.

- **Carbon Footprint Reduction:** RABC Group committed to reducing its carbon footprint by implementing energy-efficient practices, investing in renewable energy sources, and optimizing its supply chain.

Global Initiatives provided technical expertise, conducted energy audits, and supported the implementation of renewable energy projects.

- **Community Development:** RABC Group aimed to positively impact the communities in which it operated. Global Initiatives and RABC Group collaborated on initiatives such as education and skills development programs, healthcare access, and supporting local entrepreneurs.

- **Responsible Supply Chain Management:** RABC Group recognized the importance of ensuring responsible practices throughout its supply chain.

Global Initiatives supported the implementation of supplier assessment programs, ethical sourcing guidelines, and supplier capacity building initiatives.

#### BENEFITS

The collaboration between RABC Group, Global Initiatives, and Banco yielded several significant benefits:

- **Enhanced Reputation and Brand Value:** By addressing sustainability challenges, RABC Group positioned itself as a responsible corporate citizen, enhancing its reputation and brand value. Customers, investors, and other stakeholders recognized RABC

Group's commitment to sustainability, leading to increased trust and loyalty.

- **Improved Operational Efficiency:** Through energy-efficient practices and supply chain optimization, RABC Group achieved cost savings and improved operational efficiency. Reduced energy consumption and waste not only had positive environmental impacts but also contributed to the company's bottom line.

- **Enhanced Stakeholder Relationships:** The stakeholder engagement process fostered stronger relationships with employees, customers, suppliers, and local communities. Transparent communication and collaboration with stakeholders improved trust, loyalty, and long-term partnerships.

- **Mitigation of Environmental Impact:** RABC Group's efforts in reducing its carbon footprint and implementing sustainable practices contributed to mitigating environmental impact. The company's commitment to renewable energy and responsible supply chain management reduced its overall ecological footprint.

- **Positive Social Impact:** Through community development initiatives, RABC Group positively impacted the lives of individuals and communities in various regions. Access to education, healthcare, and support for local entrepreneurs helped create sustainable social development.

Overall, the collaboration between RABC Group, Global Initiatives, and Banco<sup>13</sup> provided a holistic and effective solution to RABC Group's sustainability challenges. By addressing environmental and social responsibilities, RABC Group positioned itself as a leader in sustainable business practices, reaping numerous benefits while contributing to a more sustainable future.

<sup>13</sup> <https://www.banco.com.sg/green-finance/>

## 4 Deutsche Bank, Ecovadis, & Henkel AG & Co. - Linking Supply Chain Financing to ESG Ratings



#### BACKGROUND

Deutsche Bank is a leading global financial institution. The bank has a long history of supporting sustainable businesses, and in 2022, it partnered with Henkel and EcoVadis to create a sustainability-linked supply chain financing (SLSCF) program.

Henkel AG & Co. manufactures and sells consumer and industrial products. It has a long-standing commitment to sustainability, and in 2022, it decided to link its supplier financing program to its ESG ratings.

#### SOLUTION

The SLSCF program used EcoVadis' ESG ratings to assess suppliers' sustainability performance. Suppliers with higher ESG ratings receive lower financing costs. Deutsche Bank provides the financing for the program, EcoVadis provides the ESG ratings, while Henkel provides its vast supplier network.

To make their usual Supply Chain Finance (SCF) program relevant to its customer's (Henkel's) sustainability needs, Deutsche Bank designed an ESG-grid on top of the existing discount margin scheme, creating financial incentives for suppliers to become more sustainable. This marked the first-ever conversion of an existing SCF programme in Europe into a sustainability-linked supply chain finance (SSCF) programme.

In this new programme, suppliers would

obtain an ESG rating from EcoVadis and once received and kept up-to-date, suppliers can then simply add a one-page "plug-and-play" ESG schedule to the existing receivables purchase agreement via Deutsche Bank's Supplier Onboarding Portal. Deutsche Bank can then access the suppliers' ESG rating directly from the EcoVadis platform, and automatically adjust the discount margin they pay depending on their score, grouped into buckets.<sup>14</sup>

Deutsche Bank customized the SSCF programme for Henkel suppliers across Europe, India, and Mexico.<sup>15</sup>

#### BENEFITS

The SLSCF program has several benefits for not just Deutsche Bank, but also for Henkel and its suppliers.

For Deutsche Bank, the program helped in:

- Meet the growing demand for sustainable financial products
- Build a stronger relationship with Henkel
- Gain exposure to the growing sustainable supply chain market

For Henkel, the program has helped in:

- Reduce its environmental impact
- Improve its reputation as a sustainable company
- Attract and retain more sustainable suppliers

For suppliers, the program helped in:

- Reduce their financing costs
- Improve their sustainability performance
- Gain access to Henkel's global supply chain

<sup>14, 15</sup> <https://flow.db.com/more/flow-case-studies/greening-henkels-supply-chain>

**THE DATA**

The following data shows the results of the SLSCF program after its first year of operation:

- The average ESG rating of Henkel’s suppliers increased by 10%
- The average discount margin for suppliers with a high ESG rating decreased by 15%
- The number of suppliers participating in the program increased by 20%

**CONCLUSION**

The Deutsche Bank SLSCF program has been a success for Henkel and its suppliers. The program has helped to reduce Henkel’s environmental impact, improve its reputation, and attract and retain more sustainable suppliers. The program has also helped suppliers to reduce their financing costs and improve their sustainability performance. The program is also a testament to Deutsche Bank’s commitment to sustainability and its leadership in the sustainable finance market.

**5 Citibank & Henkel AG & Cie - Cooperation Towards ESG Led SCF Program**



**BACKGROUND**

Citibank is a leading bank that is committed to sustainable finance. Citi’s Sustainable Supply Chain Finance (SSCF) program in Asia Pacific aligns with the bank’s ESG commitments. As part of its 2025 Sustainable Progress Strategy, Citi has committed to financing and facilitating a wide array of climate solutions - from renewable energy and clean technology to water conservation and sustainable transportation - and will further accelerate the transition to a sustainable, low-carbon economy that balances the environmental, social and economic needs of society. In 2021, the bank launched an ESG led sustainable supply chain finance (SCF) program. The program is designed to help

businesses finance their supply chains in a more sustainable way.<sup>16</sup>

In 2022, Citibank partnered with Henkel to create a sustainability-linked supply chain financing (SLSCF) program. Henkel has a long-term commitment to sustainability across various regions where it has supplier network. It is working to reduce its environmental impact throughout its supply chain.

The SLSCF program is a part of Citibank’s broader commitment to sustainability. The bank has also set a goal of achieving net-zero greenhouse gas emissions by 2050.

**BENEFITS OF THE PROGRAM**

The program offered a number of benefits for businesses, including suppliers, such as:

- Access to financing for sustainable supply chain projects
- Reduced financing costs

<sup>16</sup> <https://www.citigroup.com/global/news/press-release/2021/citi-launches-sustainability-linked-supply-chain-financing-in-asia-pacific>

- Improved ESG performance
- Enhanced reputation

**OPPORTUNITY**

Citibank partnered with Henkel, a global company that manufactures and sells household and industrial products.

Qualifying suppliers can access Citi’s supply chain financing at preferential rates on a tiered basis with rates improving as a supplier’s sustainability score improves.

As a result of the project, Henkel’s suppliers were able to reduce their energy consumption by 20%. This resulted in a reduction in CO2 emissions of 1,000 tonnes per year. Henkel was also able to improve its ESG performance and enhance its reputation as a sustainable company.

**THE DATA**

- Citibank provided financing for the SLSCF program totalling \$100 million.
- Citibank earned an average margin of 1% on the financing.
- Citibank’s exposure to the sustainable

supply chain market increased by 20%.

- Citibank’s reputation as a leader in sustainable finance was enhanced.
- Citi has committed \$1 Trillion to Sustainable Finance by 2030, which includes extending their current environmental finance target from \$250 billion by 2025 to \$500 billion by 2030<sup>17</sup>

**KEY TAKEAWAYS**

Banks can play a role in helping businesses finance their supply chains in a more sustainable way.

Sustainable supply chain finance programs can offer a number of benefits for businesses, including access to financing, reduced financing costs, improved ESG performance, and enhanced reputation.

Businesses that are committed to sustainability can benefit from partnering with banks that offer sustainable supply chain finance programs.

<sup>17</sup> <https://www.citigroup.com/global/news/perspective/2021/citi-commits-1-trillion-to-sustainable-finance-by-2030>

**Exploring Potential in Developing Nations: Learning from Global Examples**

Platform-based climate finance initiatives have proven to be highly effective globally, making them an ideal model to replicate in India and other developing nations. These initiatives offer scalability and extensive reach, allowing for rapid expansion and engagement with diverse stakeholders. By adopting best practices and leveraging the knowledge accumulated by established platforms, developing nations can fast-track the setup of their own systems, avoiding potential pitfalls and optimizing resource allocation.

M1xchange with its trade receivables discounting platform and Protean e-Gov, with its ONDC platform and Digital Public Infrastructure (DPI) framework are at the right place at the right time to undertake similar ESG and climate-led financial initiatives to encourage and nudge Indian SMEs to adopt and develop strategies tailored to their specific needs.

## 6 M1xchange – Approach to Green Finance



### BACKGROUND

M1xchange is an Indian regulated trade receivables discounting platform (TReDS) which provides easy access for MSMEs to early payments on their approved invoices from their buyers via a network of 50+ financiers in a transparent, bidding-based method. Licensed in 2017, M1xchange has onboarded 1,000+ corporate buyers, 20,000+ MSME sellers and facilitates more than \$ 3 Billion of discounted invoices annually.<sup>18</sup>

### PROBLEM/OPPORTUNITY

While ESG goals are understood by a significant number of large and multi-national corporates based in India, the MSME sector has lagged in this area. We conducted a survey with 107 MSMEs engaged with M1xchange to understand their thinking about ESG:

- 48% of the respondents mentioned that they have noticed changes in their customer demands related to climate change (e.g., increased demand for sustainable products, eco-friendly services) in the last 1-2 years.
- 48% of the respondents have not considered any environmental risks or impact associated with their business activities.
- 79% of the respondents mentioned that they do not calculate / know how to

calculate carbon emissions from their business activities.

- 51% of the respondents mentioned that they have considered raising capital linked to better ESG performance / climate related initiatives.
- None of the respondents had any existing financing facility with terms linked to ESG performance.

Clearly there is a massive opportunity for enabling ESG linked finance given the scale, current lack of options, and interest from MSMEs. However, we must contend with absence of rating agencies focusing on this sector or incentives for MSMEs to get themselves rated; and, to ensure that MSMEs want to invest in continually improving their ESG scores/ratings because of the financial / commercial benefit and recognition at various forums.

### M1'S UNIQUE POSITION IN SOLUTIONING

While ratings & tracking are essential to measure baseline and improvement, ensuring and delivering sizeable financial incentives is the strongest value lever. Configuring special rates linked to ESG goal achievements by MSMEs, ensuring payment is remitted as committed and aligning this across a large network of financiers is where M1 seeks to add value.

Ensuring adoption when MSMEs are already registered and transacting on a network with the reach of M1xchange (across 1,600+ cities with ~70% from Tier 2, 3 and 4 cities) is also a clear advantage that should be leveraged.

### APPROACH

M1xchange solution is expected to be

<sup>18</sup> M1xchange

structured around five key levers – for both payables and receivables of MSMEs:

- **Benchmarking:** SEBI-authorized ESG rating agencies will need to be roped in to develop subsidized pricing models and tailored rating models for MSMEs – by industry, stage in the value chain, geography etc. Ratings of these agencies will need to be shared via API for each MSME (authenticated via PAN / GSTIN/ Udyam No.) with M1xchange to store and track to accordingly identify eligibility for incentives.
- **Support:** MSMEs, many of whom for which this will be an introduction to ESG goals or rating parameters, will need consultative support from expert agencies to guide them on how to be rating-ready and continually improve. This is currently a nascent ecosystem in India. Since, this will be critical to ensure adoption of the MSME sector, M1 can facilitate introductions to such agencies through its platform/access to MSMEs.
- **Tracking:** Rating agencies will need to structure a renewal exercise every year / defined period to ensure the incentives are paid out effectively at rating increases as well as rolled back in case of rating decreases. This information can be made available for corporates and suppliers on the M1xchange platform to reference real-time.
- **Incentives:** Three elements to the incentive structure depending on the transaction:
  - » Currently the rate of interest on TReDS for receivables is dependent on buyer's creditworthiness. For receivables of MSME, basis MSME ESG ratings which are shared with financier digitally via M1xchange, auto-rules can be setup to provide additional discounts on interest rates to suppliers with ratings above certain thresholds and ones showing significant measurable improvement.

» In terms of the payables side, for the small-to-small factoring transactions, where MSME will be assessed for credit risk, ESG ratings can also form an integral part of the credit decisioning for a financier – helping MSMEs receive a limit they wouldn't otherwise have received or better rates / larger amounts.

» Financiers will be incentivized to reduce rates or take more liberal credit calls on ESG focused MSMEs with the support of RBI / central government in subsidizing the cost of capital for such initiatives – beyond Priority Sector Lending (PSL) benefits which will anyway be provided on TReDS.

- **Recognition:** Recognition and social appreciation forms a strong lever for MSMEs – most of whom are first- and second-generation business owners. M1xchange can enable MSME award forums in partnership with stakeholders like rating agencies, consulting firms and financiers to acknowledge the effort and investment being put in towards this direction.

### POTENTIAL BENEFITS

For MSMEs, this will enable them to reduce their carbon footprint while justifying the cost of through the incentives. For financiers, this will enable providing credit to the MSME sector. For corporates, this will enable them to build a sustainable supply chain and get visibility on Sustainability of all their current and future suppliers.

With the growing recognition of the urgent need to address climate change and sustainability challenges, financial institutions are increasingly leveraging technology and digital platforms to offer innovative financial products and services that align with climate goals and ESG principles.

Through the analysis of case studies and industry trends, we have collated examples of platform-based ESG-linked financial solutions, through which we can realize the potential of these platforms to mobilize capital towards sustainable projects, empower investors with ESG data, and drive the transition to a low-carbon and socially responsible economy.

As we explore the empowerment of SMEs through ESG-linked financing and capacity-building programs, with a focus on fostering sustainable practices and supplier engagement, we are able to recognize the critical role of SMEs in the global economy.

As more and more financial institutions, and corporates are developing tailored programs to support SMEs in integrating ESG considerations into their operations, we are seeing the emergence of ESG-linked financing programs designed specifically for SMEs, providing them with favourable terms and incentives to access capital for sustainable initiatives. ESG-linked financing allows SMEs to demonstrate their commitment to sustainability and attract investors who prioritize environmental and social impact and ultimately help the nations reach their net zero goals one step at a time.

Furthermore, we are able to emphasize the importance of supplier engagement programs implemented by corporates. By actively working with their suppliers, corporates encourage and support SMEs in improving their sustainability practices by providing access to financing options, technical assistance, or sharing best practices. Supplier engagement programs create a ripple effect, as the sustainability improvements made by SMEs positively impact their entire supply chain and contribute to a more sustainable and responsible business ecosystem.

Through the case studies and examples, we are able to illustrate successful ESG-linked financing and capacity-building programs for SMEs and analyses the benefits and challenges associated with these initiatives, such as raising awareness about ESG, accessing financial resources, and addressing operational barriers. The case studies highlight the potential of these programs to foster sustainable practices, enhance SMEs' competitiveness, and contribute to the achievement of global sustainability targets and open up a whole new ecosystem for developing nations, especially India.

## 7 Protean - Enabling Sustainability Initiatives via Digital Public Infrastructure (DPI)



### BACKGROUND

Protean e-Gov Technologies (previously NSDL e-Governance Infrastructure) is a pioneer and leader in Digital Public Infrastructure (DPI), Regulatory Tech (RegTech) and Open Networks. Since its inception 28 years ago, Protean has relentlessly pursued the vision of being a globally trusted builder of population-scale e-Governance technology that improves ease of doing business, promotes financial & social inclusion and ease of living for its citizens.

Protean is credited with building India's Modern Digital Tax Infrastructure<sup>19</sup> ushering in digitalisation of payment and collection of taxes for the government, Digital Public Infrastructure (DPI) governance framework, which serves 1.2 billion Indians. Today, Protean serves as the largest service provider for India's Digital Tax Identity - PAN Cards having issued 421 Mn million Tax Id's till date, has developed Tax Information Network (TIN) which brings together the Indian Govt., 19000 Banks, 68,000 service centres across 7000 locations, the Accounting System for reconciliation of Tax collection - OLTAS and the India's Largest Litigation Management System - NJRS.

Regulatory Tech - Protean's E-Authentication Business (eKYC, eAuth, eSign) powers majority of the Indian banks

and Start-ups for their digital customer journeys. Additionally, Protean recently went live with Protean SurakshAA - a citizen consent led financial data sharing Account Aggregator platform enabling credit-for-a-billion.

Open Networks - Protean is the foundational Knowledge partner & key technology contributor to open networks (ONDC) enabling adoption of the open network and accelerating commerce for the network buyers, sellers and payment companies through its Recon & Settlement Products.

Having built India's largest network of Facilitation centres, Protean serves India's Digital Stack by also being the Registrar to UIDAI for Digital Identity Aadhaar enrolments.

To complement the digital public infrastructure and aid Govt's 'Cloud First' Policy, Protean has recently ventured into India-Focussed Protean Cloud to enable SME & MSME and Cyber Security Advisory services in an effort to reinforce the foundations of a safe and secure digital India.

### OPPORTUNITY

Protean has touched the lives of Billions of Indians by powering some of the most used national digital public infrastructure. For such a large-scale marketplace, adding ESG initiatives by layering on the Digital Public Infrastructure (DPI) network, opens up a lot of opportunity for not just Protean but also its network.

<sup>19</sup> Protean e-Gov Technologies

**IMPLEMENTATION MEASURES - DEMAND-SIDE INTERVENTIONS REQUIRED**

• **Trust & Transparency:**

- » Develop clear and transparent guidelines for climate finance to make the market more accessible.
- » Define metrics (ESG Ratings) for SMEs to qualify for green financing instruments with better financing terms, such as discounted rates or longer repayment periods.
- » Sustainability disclosure and reporting play an important role to help MSMEs and investors to reduce risks across their supply chain and enable an efficient decision-making process, toward greening MSMEs and financial institutions.
- » The integration and reporting of environmental and social sustainability practices will promote and incentivise MSMEs and investors to further finance the latest practices and technologies for reducing carbon emissions and strengthen the resilience of MSMEs.

• **Provide technical assistance:**

Provide technical assistance to SMEs to help them to understand the climate finance market and to develop climate-resilient business plans.

• **Unbiased Discovery:**

- » Leveraging Digital Public Infrastructure powering Open Digital Ecosystems to

provide an open network ecosystem to enable democratic and unbiased discovery of climate financing options.

• **Easy Access to Finance:**

- » Private sector mobilization - build partnerships between SMEs, financial institutions, and governments to scale up climate finance for SMEs.
- » International institutions and partnerships - alignment of investment portfolios, investment criteria, and priorities with overall climate finance goals
- » Enabling a blend of financial instruments - equity, debt, bonds, grants, philanthropic capital, and blended finance instruments. These innovative instruments can include pooled investment funds, layered risk funds, credit guarantees, debt-for-nature swaps, sustainability-linked bonds, green revolving funds, and green bonds.
- » Financing climate-focused innovation and R&D

**CONCLUSION**

No single actor can solve the climate finance challenge on their own. Together, we can overcome challenges in delivering climate finance to SMEs and additionally help SMEs to adapt to the impacts of climate change and to transition to a low-carbon economy.

# 4 Platform-based Climate or ESG-linked Finance: A Silver Bullet

In this final chapter we create a proposal for platform-based climate or ESG-linked finance, for promoting sustainability in SMEs. These platforms act as enablers, connecting SMEs, financial institutions, and platforms that prioritize ESG considerations. This chapter is broken down into three sections:

- Encouraging SMEs to monitor their ESG performance

- SMEs can improve their chances of accessing climate and ESG-linked finance
- Unlocking Sustainable Potential: ESG linked finance platforms for SMEs

We conclude this chapter with a strong argument that ESG and climate -linked SME finance can indeed be a silver bullet in the world's quest for net zero, SDGs, and enduring sustainability.

Let us further explore the features, benefits, implications of Platform-based Climate or ESG-linked Finance, and, examine the potential impact of such platforms on promoting sustainable investments, improving risk management practices, and fostering transparency and accountability in the financial industry. Finally, let's examine the availability of regulatory frameworks and the importance of collaboration among financial institutions, technology providers, policymakers, and stakeholders in building robust and reliable platforms that can effectively address sustainability challenges. associated with

platform-based climate or ESG-linked finance

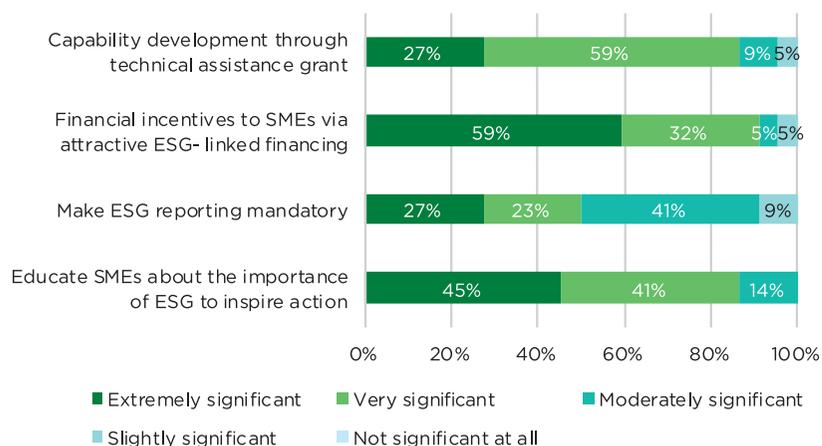
The existing landscape of climate and ESG-linked finance for global SMEs and supply chains faces barriers that impede its widespread adoption and impact, including limited awareness and understanding, insufficient access to financing, lack of standardized metrics and reporting frameworks, and the need for enhanced collaboration among stakeholders. Addressing these challenges is crucial to unlock the full potential of ESG-linked finance and accelerate the transition to a sustainable and resilient global economy.

## Encouraging SMEs To Monitor Their ESG Performance

Monitoring ESG performance enables SMEs to identify areas for improvement and develop targeted strategies to address environmental and social challenges. It allows them to measure their carbon

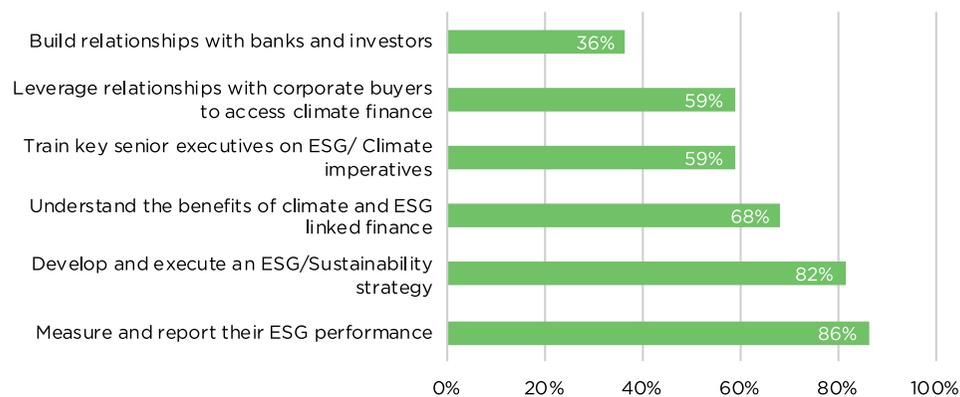
footprint, assess their social impact, and ensure adherence to sound governance practices. SMEs may be lower down in the food chain but we cannot leave them to the tyranny of trickle-down economics.

### How to encourage SMEs to monitor their ESG performance?



Source: Aspire's Expert Opinion Poll

### Key steps that SMEs can take to improve their chances of accessing climate and ESG-led finance



Source: Aspire's Expert Opinion Poll

Industry experts have clearly indicated through our live survey that 59% believe attractive ESG-linked financing is the best means to get SMEs to monitor their ESG performance, which is closely followed by 45% who believe that another important way to do it is by educating the SMEs about the

importance of reporting. Similarly, 86% of our experts believe that SMEs, in order to improve their chances of accessing climate and ESG-led finance, should incorporate measurement and reporting of their ESG performance. This is clearly a cyclical view of means to the end.

Encouraging SMEs to monitor their ESG performance is important for a number of reasons. First, it can help SMEs to identify and manage risks related to ESG factors. Second, it can help SMEs to improve their reputation and attract customers and investors who are interested in doing business with sustainable companies. Third, it can help SMEs to comply with regulations and standards related to ESG.

There are a number of ways to encourage SMEs to monitor their ESG performance. One way is to provide them with information and resources about ESG. Another way is to offer incentives, such as tax breaks or grants, for SMEs that take steps to improve their ESG performance. Finally, it is important to create a supportive environment for ESG, such as passing regulations that require SMEs to report on their ESG performance.

While encouraging SMEs is an important factor, it is equally important to keep track of factors which can raise barriers for SMEs, when it comes to climate-linked financing platform. Some of these barriers are:

- **Greenwashing:** Robust verification and validation processes are essential to

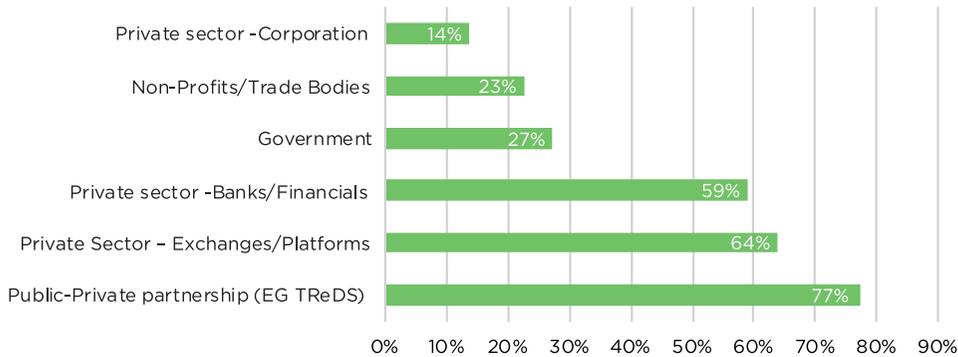
ensure SMEs' ESG performance claims are genuine and backed by evidence.

- **High Financial Barriers:** The platform should aim to be inclusive, enabling a diverse range of SMEs to participate and benefit from sustainable financing opportunities.
  - **One-Size-Fits-All Approach:** Avoid adopting a rigid, one-size-fits-all approach to ESG monitoring. Each SME operates differently, and the platform should be flexible enough to accommodate various business types and sizes.
  - **Lack of Guidance and Support:** The platform should offer clear instructions, templates, and resources to facilitate the monitoring process.
  - **Limited Recognition and Incentives:** Recognitions and incentives can serve as powerful drivers for SMEs to prioritize ESG monitoring.
- By avoiding these pitfalls, the platform can create a supportive and conducive environment that encourages SMEs to actively monitor and improve their ESG performance to access climate-linked finance opportunities effectively.

## SMEs Can Improve Their Chances Of Accessing Climate And ESG-Linked Finance

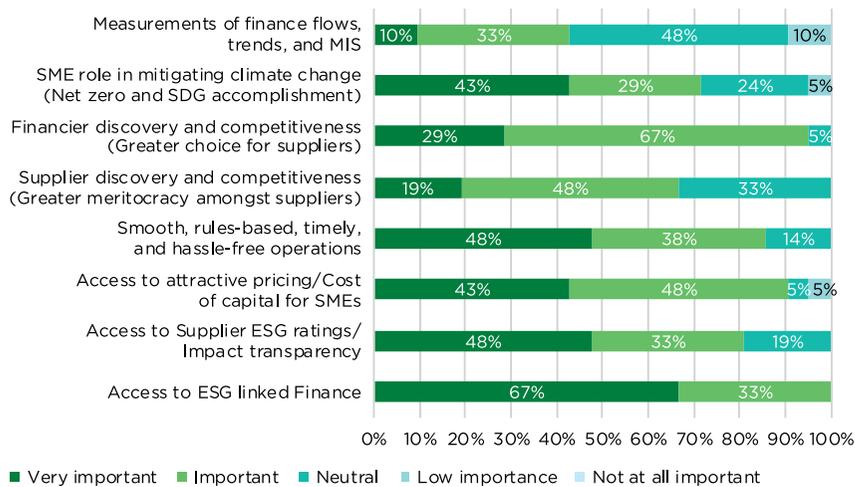
We are thereby proposing a platform-based financing solution to help and encourage SMEs and give them better chances of accessing climate and ESG-linked finance.

### Who are the natural owners/operators of ESG-linked finance platforms for SMEs



Source: Aspire's Expert Opinion Poll

### Most important functions of the proposed platform



Source: Aspire's Expert Opinion Poll

Our proposal is strongly supported by **67%** of our experts who believe that a platform offers the best means of granting SMEs and Supply Chains access to ESG-linked finance and utilizing it as a forum for accessing ESG ratings and achieving impact transparency.

To ensure easy accessibility for SMEs and Supply Chains, **77%** of our experts

recommend the platform to be a Public-Private partnership (similar to TReDS). This common platform would function like a matchmaking service, providing not only financial solutions and ESG/ Impact ratings to suppliers but also guiding them through the eligibility and application process, making the entire procedure accessible regardless of location.

Some of the key challenges that arise in platform-based climate or ESG-linked finance, include SME data quality and availability, regulatory frameworks, and the standardization of ESG metrics.

Data quality and availability pose significant challenges as accurate and reliable ESG data is essential for informed decision-making. Though challenging, it is still an essential factor required for the proper functioning of SMEs and Supply Chains. Additionally, the lack of standardized ESG metrics hinders comparability and transparency across platforms, making it challenging for investors to assess and compare sustainable investment options effectively.

Regulatory frameworks also play a critical

role in platform-based climate or ESG-linked finance. There is need for supportive regulatory frameworks that promote sustainability, encourage data transparency, and provide guidance on the integration of climate and ESG factors into financial decision-making processes. Clear and consistent regulations can help foster trust among investors and give them confidence to invest in SMEs and Supply Chains. This would also help improve risk management practices and ensure the integrity of the supplier sustainability claims.

Furthermore, we cannot neglect the importance of collaboration among financial institutions, technology providers, policymakers, and stakeholders in building robust and reliable platforms.

## Unlocking Sustainable Potential: ESG-Linked Instruments and Platforms for SMEs

In this section we will delve into the various financial solutions that if promoted through a common financial platform, would have substantial potential in enhancing the reliability, transparency, and effectiveness of platform-based finance for sustainable decision-making. Financial instruments are instrumental in unlocking the potential of ESG-linked finance platforms for SMEs in developing nations. They help connect SMEs with larger corporations and investors, opening doors to new business opportunities. Let us explore a few such instruments which if promoted by corporates/financial institutions via a common platform may empower SMEs to embrace sustainable practices:

**1 Concessional finance** to SMEs who have incorporated ESG initiatives. Here are some of the sources of concessional finance for SMEs:

- **Governments:** Governments often provide concessional finance to SMEs through their development agencies.
- **Development banks:** Development banks, such as the World Bank and the Asian Development Bank, also provide concessional finance to SMEs.
- **Multilateral agencies:** Multilateral agencies, such as the International Finance Corporation (IFC) and the European Investment Bank (EIB), also provide concessional finance to SMEs.
- **Private sector donors:** Private sector donors, such as foundations and corporate social responsibility (CSR) programs, also provide concessional finance to SMEs.
- **Philanthropy in climate finance:** Philanthropy is also playing a key role in

making blended/ concessional finance available, first loss guarantee and insurance products available or seeding underserved segments within SMEs to make them commercially viable. A detailed discussion is enclosed in the box ahead.

**2 Responsible Financing Initiatives** by banks and financial institutions. The banking examples showcased in the global cases mentioned previously were all part of Responsible Financing initiatives undertaken by global banks such as Citi, Deutsche Bank, BNP Paribas, etc. It shows to all that if financial institutions and banks want to integrate their financing instruments to ESG initiatives, it is a doable task even in developing nations.

**3 Government Initiatives (India Illustration):** By creating a supportive regulatory framework, governments foster an enabling environment for SMEs to embrace sustainability:

- Policy changes such as **Priority sector lending (PSL)** allows banks in India to lend a certain percentage of their total lending to certain sectors of the economy (40% lending in microfinance). The sectors that are considered priority sectors include agriculture, micro, small and medium enterprises (MSMEs), education, housing, and renewable energy.
- **Broadly syndicated loans (BSLs)** are the most common form of leveraged bank loans
- **Production Linked Incentive Scheme (PLI)** for Electronics Manufacturing, wherein incentives of 4-6% is given to electronic companies. Currently, the Union Cabinet, has given approval to

introduce the Production-Linked Incentive (PLI) Scheme 2.0 for IT Hardware for Enhancing India's Manufacturing Capabilities and Enhancing Exports – Atmanirbhar Bharat on May 17, 2023. Additional incentives for investment in green technologies leading to higher utilisation of raw materials and reduction in waste discharged in the manufacturing process is being planned.

- Government has allocated INR 51.72 billion (approx. US\$631 million) towards its flagship scheme, **FAME-II**, for subsidizing and promoting the adoption of clean energy vehicles. FAME-II

stands for the Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle in India.

In conclusion, Platform-based Climate or ESG-linked Finance offers promising opportunities to align financial decision-making with climate goals and ESG principles. By leveraging digital platforms and technology, financial institutions can enhance their ability to assess and manage climate and ESG risks, provide sustainable investment options to clients, and contribute to the global transition towards a more sustainable and resilient economy.

Philanthropy can play a catalytic effect and unlock capital for SMEs to transition to net zero and mitigate their carbon footprint. Philanthropies can address market failures by financing innovative climate technologies that may not be commercially viable yet. Some key strategies to achieve this include:

- 1 Unlock capital for SMEs to transition to green supply chains:** SMEs may lack the capital to transition to green supply chains. Philanthropies can bridge that through blended finance and crowding in private sector capital through financing instruments such as TA grants, concessional debt, guarantees or risk insurance.
- 2 Support innovative climate technologies:** Early-stage SMEs focusing on innovative climate technologies struggle to raise debt capital due to a lack of collateral and lack of a profitable track record. Philanthropies with their high-risk appetite can support such SMEs by de-risking the business and bridge the

funding gap until they are commercially viable and can access debt and equity funding.

**3 Ecosystem building, co-funding and collaboratives:** Philanthropies can engage other philanthropies and impact investors to drive capital by sharing knowledge and giving opportunities, building relationships and convening stakeholders to enable co-funding arrangements for seasoned and new philanthropists alike. One example of such a collaboration is the Climate Leadership Initiative which six foundations formed to advise philanthropies on investing in climate solutions.

Philanthropy can play a transformative role in climate finance for SMEs in India and G20 countries by leveraging its resources to unlock and crowd-in private sector capital. Together, philanthropy and the private sector can drive sustainable development, foster innovation, and build a resilient future for SMEs across the G20.

A dedicated platform for climate and ESG-linked finance has the potential to revolutionize the way SMEs and supply chains approach sustainability. By providing tailored ESG-linked financing options, assessment tools, knowledge-sharing, and networking opportunities, the platform will empower SMEs to embrace sustainable practices, enhance their competitiveness, and contribute to a greener, more equitable future.

In summary, linking supply-chain financing to climate action and ESG ratings through an Open Digital Eco-System (ODE), thereby creating a Holistic Platform for Climate and ESG-Linked Finance, has the potential to be an all-encompassing solution, designed to empower SMEs and supply chains with the tools and resources needed to integrate sustainability into their core operations.

Key components of the platform would include:

- 1 Accessible and Tailored Financing Options:** The platform will curate a range of financing options, including low-interest loans, grants, and green bonds, all explicitly linked to climate and ESG performance. Each SME and supply chain can access funding tailored to their specific sustainability goals and track their progress over time.
- 2 ESG Assessment and Reporting Tools:** The platform will provide ESG assessment tools that help SMEs evaluate their

current performance against ESG criteria. Transparent reporting mechanisms will enable stakeholders, including investors and consumers, to monitor progress and incentivize responsible practices.

- 3 Knowledge and Capacity Building:** Recognizing that sustainable practices may be new terrain for many SMEs, the platform will offer educational resources, webinars, and workshops to build capacity in areas like renewable energy adoption, waste reduction, and fair labour practices.
  - 4 Networking and Collaboration:** The platform will facilitate connections between like-minded SMEs, supply chain partners, and industry experts, fostering collaboration and knowledge-sharing to amplify sustainable impact.
  - 5 Incentivizing Sustainable Practices:** As SMEs and supply chains achieve climate and ESG milestones, the platform will offer recognition and certification, enhancing their credibility and attractiveness to conscious consumers and investors.
- Embracing sustainability is no longer a choice; it is a necessity for the survival and prosperity of businesses in a rapidly changing world. By investing in climate-linked initiatives, adopting ESG principles, and seizing the opportunities of sustainable practices, SMEs and supply chains can play a transformative role in building a resilient, equitable, and sustainable future for generations to come.

## Key Takeaways

In an era defined by unprecedented environmental challenges, the role of businesses in shaping a sustainable future has never been more critical. SMEs and supply chains, often overlooked in the climate discourse, possess untapped potential to become the driving force behind transformative change. By embracing Climate and ESG-linked finance, these dynamic entities can not only secure their own resilience but also lead the charge towards a greener, more equitable world.

Let us look at the key takeaways that has been gleaned from industry experts in this field that may just be the game-changing catalyst needed:

- 1** Substantial early evidence indicates the potential linkage between global trade finance or supply chain finance and climate or ESG ratings, as demonstrated by emerging examples from financing platforms and banks:
  - Taulia (SAP)-EcoVadis
  - Banco (RABC Group)-Global Initiatives
  - Deutsche Bank-EcoVadis
  - Citibank-CDP (Climate Disclosure Project)
  - HSBC - Walmart - CDP & SBTi
- 2** Numerous case studies indicate that corporates have been the forerunners in connecting supplier finance to ESG or Climate, predating the existence of the platforms mentioned in #1:
  - Intel
  - Walmart
  - Unilever

**3** GTF/SCF offers a remarkable \$8.7 trillion opportunity for integrating finance with ESG, Sustainability, or Impact by 2030. This endeavor will also contribute to bridging the trade finance gap of \$1.7 trillion and propel the SME sector, responsible for 50% of global GDP and 60%-70% of global jobs.

**4** Open Digital Eco-System such as a digital platform, situated at the convergence of four domains (GTF/SCF, ESG/Climate, SMEs/Supply Chains, and Traditional/Digital Financing) are ideally positioned to serve as hubs for unlocking ESG/Climate linked finance for SMEs and Supply chains.

- Considering the practicality of every corporate building its own supply chain platform, third-party platforms that connect corporate suppliers and financiers offer the most promising solution (e.g., the proposed M1xchange initiative in India, providing ESG-linked finance to SMEs).

**5** Government backing and encouragement will play a crucial role in promoting ESG-linked finance, as it typically does with new initiatives. In recent years, India has successfully encouraged manufacturing through PLI (Production Linked Incentives) schemes and electric vehicles through FAME (Faster Adoption and Manufacturing of Hybrid & Electric Vehicles). Additionally, capacity development programs will be essential to bring SMEs into the fold of sustainability practices.

6 When SMEs/Supply Chains are integrated into the ESG sustainability and impact movement, they play a pivotal role in accelerating nation states' transition to Net Zero, achieving SDGs, and preparing themselves for the future.

7 Collaboration among stakeholders is paramount in developing sustainable financial platforms that empower investors, facilitate informed decision-making, and foster the global transition towards a more sustainable and resilient economy.

### Empowering SMEs and Supply Chains through Climate and ESG-led Finance

In delving into the intricate interplay between global trade finance, supply chain dynamics, and the ever-evolving landscape of climate and ESG considerations, a tapestry of significant insights has emerged, urging us to embrace change and re-imagine the future of finance.

The early evidence highlighting the potential linkage between global trade finance and climate or ESG ratings signals a transformational shift. It embodies a recognition that finance can no longer be confined to economic realms; it must embrace environmental and social imperatives as well. This connection becomes all the more tangible through global case studies where corporates take the lead in forging the path towards linking supplier finance to ESG and climate goals. It's a testament to how corporations are becoming catalysts for positive change, demonstrating that financial decisions can align with values and long-term sustainability.

The sheer magnitude of the \$8.7 trillion opportunity presented by global trade finance and supply chain finance to integrate with ESG, sustainability, and impact by 2030 is staggering. It's an opportunity not just for bridging financial gaps but also for weaving a cohesive fabric that binds finance with global development objectives.

ODEs such as Digital platforms emerge as the enablers, serving as hubs where ESG/Climate linked finance for SMEs and supply chains is unlocked, fostering a landscape where sustainable practices are embraced with every transaction.

Government support and encouragement serve as crucial pillars in promoting ESG-linked finance. This collaborative approach paves the way for a transformative impact that transcends borders. It's a catalyst for nation states to accelerate their transition to Net Zero and to realize the Sustainable Development Goals, attaining both economic prosperity and environmental stewardship.

Yet, at the heart of this journey lies collaboration among stakeholders. It's the synergy of these forces that births sustainable financial platforms, empowering investors, facilitating informed decision-making, and propelling a global transition that marries finance with positive impact.

In conclusion, as we navigate this intricate realm, we are presented not just with challenges, but with unprecedented opportunities. As we stand at this crossroads, the choices we make today will shape a future where prosperity, sustainability, and responsibility are harmoniously woven into the fabric of our global economy.

## Co-Author Bios



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Abhishek Kumar Karn is a highly experienced Senior Banker with a career spanning over 17 years. He has developed expertise in the domain of Priority Sector Lending (PSL) and MSME. His key areas of interest include lending, strategy, cleantech, Agritech, and policy. Currently, Abhishek holds the position of Head of PSL Wholesale & MSME at RBL Bank.



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Adriana Kocornik-Mina has extensive experience in research and capacity building on societal and environmental sustainability. She is a member of expert platforms on sustainable finance. Adriana was with the Grantham Research Institute on Climate Change and the Environment in the Adaptation team.



**Amit Bhatia**, Founder & CEO, Aspire Impact & Aspire Circle

Amit Bhatia (www.amitb.in), Founder of Aspire Impact & Aspire Circle, was formerly Inaugural CEO of G7's Global Steering Group for Impact Investment (2017-20); Founding CEO of India's Impact Investors Council (2014-2017); Founding CEO of WNS Knowledge Services; and, Founder of McKinsey Knowledge Centre.



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Anna Bruni Sabhaney, is a Chartered Civil Engineer with 15 years international experience delivering climate related programmes for governments and the private sector. Anna founded The Confluencers in 2018 to help Non-Profit Organisations access flexible core funding through her Roadmap to Self-Reliance Programme.



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Bhavya leads ESG & Communications verticals at Urban Company. She has been instrumental in setting up and devising the organisation's ESG initiatives, spanning Partner Enablement initiatives, governance agenda and sustainability efforts. Her overall work experience is about 15 years.



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Debaroti is the Assistant Director in the Knowledge Development vertical at Aspire Impact. She has 10+ years of experience in the knowledge development and management, data operations, and research fields. She is passionate about the environment and society and is an active volunteer with various non-profit organizations in the field of societal development.



**Fernando Cortes McAllister**, Executive Director – Fundación Bolívar Davivienda

Currently, Fernando Cortes McAllister is the Executive Director of the Bolívar Davivienda Foundation, a corporate foundation of an important financial group in Latin America. One of Fernando's projects has been involved in creating and developing one of the most relevant high impact social entrepreneurial programs in Colombia, along with the development of the ecosystem that supports impact investing. He has been involved in creating and directing the first social investment fund in Colombia, INVERSOR. Additionally, Fernando has been assisting the Colombian Government to develop the proper initiatives for the entrepreneurial ecosystem to prosper.



**Harpreet Kaur Ghai**, Director, Knowledge Development – Aspire Impact

Harpreet Kaur Ghai leads the Knowledge Development vertical at Aspire Impact. She is an MBA in Finance and a Lean Six Sigma Green Belt holder from KPMG. Harpreet has over 12 years of experience in the research and data collection domains, having worked with S&P Global and Alternative Path and also as a freelancer.



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Jamuna Rao Verghese, is the Founder of Dancing Rain Capital in Singapore, and earlier, 'Inclusive markets and Impact Investment, Financial services' line of work at PwC, India. She has previously worked with Citibank, ANZ Grindlays Bank, PwC and Walmart; in debt and equity investment, business growth, strategy, operations and impact. As a 'Top 100 Powerful Women in Finance in India, 2019' and published author, she actively supports pro-bono initiatives. She has also collaborated with the Government of India for financial inclusion through the Aadhaar program, benefiting 1.2 billion people.



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Jinesh co-founded Omnivore in 2010. Previously, he was Vice President and CFO at Nexus Venture Partners. He is a member of the IMC Chamber of Commerce and Industry's Agriculture & Food Processing Committee, the core working group of the World Economic Forum related to agriculture, and the CII National Council on Agriculture 2023-24.



**Kartikeya N. Desai**, Founder & CEO – Desai & Associates

Kartikeya Desai is a considered a pioneer of innovative finance, having led KOIS and Asha Impact, investing at Aavishkaar, Lok Capital and Merrill Lynch, teaching at multiple universities and advising leading foundations, funds, founders and policymakers at Desai & Associates.



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Priyadarshini has been a banker for more than 16 years in the Indian Infrastructure Finance, Structured Lending and Sustainable Finance space across HSBC, Yes Bank, ICICI Bank and Bajaj Finance and holds a PGDM from IIM Bangalore. Currently, she leads Sustainable Finance for Commercial Banking at HSBC India and focuses on supporting Green, Social, Sustainability, Transition journeys of clients of all sizes and sectors.



**Manish Kumar**, Head-ESG & CSR – ICICI Bank Limited

Manish Kumar is a Chartered Accountant and his working career spans about 3 decades across manufacturing and banking sectors. At ICICI Bank group, based in India, he was part of the Structured Finance, Financial Institutions & Syndications and Risk groups. He led the risk management practice from Singapore for the bank's international branches for seven years before getting deputed to London as the CRO of ICICI Bank UK in 2018. He was a permanent member of several executive committees and chaired ICICI Bank UK's working group on Climate change. Since August 2022, he spearheads ICICI Bank's ESG and CSR initiatives in India.



**Dr. Manish Kumar Shrivastava**, Senior Fellow – TERI

Manish is an interdisciplinary researcher working at the cross-section of science, society, and policy. His research explores low-carbon transition in India from the perspectives of MSMEs, finance, gender justice, the role of sub-national and non-state actors, and the relevance of frugality in technological choices and governance for sustainability.



**Manjari Atroley**, Co-Founder and Director – 2nd October Inc.

Manjari Atroley is a Director of 2nd October Inc., which specializes in Strategic Consulting, ESG Consulting, Financial Technologies, and Financial Services Consulting. She has worked with organisations like the UN Global Compact and AIA Group to design and implement purpose-driven business strategies.



**Meeta Narsinghani**, Associate Partner, Circulate Capital

By leading Circulate Capital's investments in India, Meeta Narsinghani has played a critical role in building the largest portfolio dedicated to recycling and the circular economy in India. Meeta has more than 15 years of experience in financial services. Prior to joining Circulate Capital, Meeta was with IL&FS Private Equity for over 12 years, where she worked with early and growth-stage private equity investments across multiple sectors and business and economic cycles.



**Rekha Krishnan**, Managing Partner - WEFT Research LLP  
Strategic Advisor – CLEAN

An economist with over 25 years' experience in energy policy analysis including ten years at TERI, Rekha Krishnan set up an advisory firm, WEFT Research in 2016. She has been deeply involved with CLEAN - the industry association for decentralised renewable energy in various roles. Rekha is on SIDBI's Committee on Sustainable Development Goals and ESG. Her focal areas include just and sustainable energy transition, green financing and industrial decarbonisation with a focus on MSMEs.



**Rohit Bhatia**, Chief Product Officer, Aspire Impact

Rohit Bhatia is a Chartered Accountant with over 25+ years of experience; 14 years in consumer industries & 10 years in social and education companies working at Yum! Brands-PepsiCo, Audits with SBB-E&Y; at Macmillan Education to restructure and deliver on profitability.



**Saneesh Singh**, Independent Director, Former MD & CEO - Dña Vikas Capital

Saneesh Singh has over three decades of experience in banking, financial inclusion, MSME financing and social & impact investments. He has worked as MD & CEO of Dña Vikas Capital - Opportunity International's largest impact investment operation globally - and at senior levels in SIDBI. Saneesh is passionate about sustainability and good governance.



**Sangeeta Robinson**, CSO- PVR Cinemas

Sangeeta Robinson is Chief Sustainability Officer at PVR INOX Limited. A Post-graduate in Communications from Punjab University, India; she has over 25 years of Corporate experience. She's been widely recognised for her innovative approach to engage with key stakeholders and Sustainable value-creating strategies. She has created the blueprint for accessible entertainment in the country.



**Sundeep Mohindru**, Founder Director - M1xchange

Sundeep by profession is a Qualified accountant with more than 23 years of experience in Technology, Finance and Consulting. Sundeep is the Founder Director of M1xchange (TReDS) and Mynd group. M1xchange is a multi-award winning online exchange for discounting of Trade receivables for SME enterprise in India, called as TReDS. M1xchange has fulfilled the objective of financial inclusion by financing Receivables for SME enterprises in 1500+ cities in India, worth USD 8 Billion in the last 4 years. M1xchange is now working towards the setting up of the International Trade Finance System (ITFS) for financing of global Trade transactions from GIFT city Gujarat.



**Suresh Sethi**, Managing Director & CEO - Protean e-Gov Technologies Ltd.

With over three decades of diversified global experience in the financial services, Suresh Sethi is a practitioner in the space of financial inclusion. He has worked extensively towards shaping the digital and mobile payments space in India by leveraging fintech and digital-led innovations. As the founder CEO & MD of India Post Payments Bank, he established the largest inter-operable banking infrastructure by reimagining the role of the ubiquitous Postman to become a catalyst for financial transformation. Suresh is currently the MD & CEO of Protean eGov Technologies Ltd., an iconic organization that has been a significant contributor to India's population scale e-governance stack. Protean is now poised to power the next era of digital transformation through creation of open ecosystems across diverse sectors.

## Guest Contributor Bios



**Aman Bhatnagar**, Senior Director of Product & Strategy - M1xchange

Aman has an experience of 12+ years across strategy consulting, own venture, & product management. He is currently leading Product and Strategy for M1xchange, a leading RBI licensed TReDS platform. He has previously worked with the Tata Group and BCG besides setting up his own venture in e-learning. Aman is a post-graduate from IIM Lucknow & a graduate of IIT Delhi.



**Apoorva Chaudhary**, Assistant Vice President - Protean e-Gov Technologies Ltd.

Apoorva has over 12+ years of experience in the fields of business and digital strategy and strategic partnerships. He has been associated with Protean since 2022. Apoorva holds a post graduate degree from ICFAI Business School.



**Bertram Dsouza**, Chief of Product and Innovation, Protean e-Gov Technologies Ltd.

Bertram has been associated with Protean eGov since February 2022 in the role of the Chief Product & Innovation Officer. He is responsible for launching and scaling new product lines across industry sectors in both Domestic and Global markets. Prior to joining Protean, he was an EVP at Kotak Mahindra Bank and prior to that, he was in Vodafone m-pesa Ltd. Bertram is passionate about being at the cusp of technology and business, building for population scale and creating social impact.



**Chinmaya Deva Tayal**, Senior Director - Sales, M1xchange

Chinmaya is a seasoned Banker, he has experience of 25 years with leading Global Multinational Banks in Transaction Banking Sales & Client Management across a spectrum of client & product segments. Prior to joining Mynd Group in 2020, Chinmaya has held leadership positions with organizations like BNP Paribas, Deutsche Bank, ABN AMRO & Scotiabank.



**Dishant Rathee**, Research Analyst, Council for Energy Environment and Water (CEEW)

Dishant is a Research Analyst at the Council for Energy Environment and Water (CEEW). He focuses on monitoring clean energy finance policies, regulations, and market trends. Prior to this, he worked on energy transition, particularly in decentralized renewable energy (DRE) and green hydrogen, in collaboration with various think tanks.



**Gautam Malhotra**, Assistant Vice President Marketing, M1xchange

Gautam is marketing strategist with 15+ years of experience in managing B2B and B2C Marketing & Advertising. He is a post graduate from IIM, Kozhikode.



**Vishal Kumar**, Senior Director & Head SME Business, M1xchange

Vishal is leading the SME Business at M1xchange. His expertise lies in Business strategy, Business development and growth, setting business to reach scale, Financial Controls and Compliances including regulatory affairs and treasury. He is a Chartered Accountant by profession and has had an illustrious career marked with distinctions in companies such as PwC, Asian Paints, Kellogg India, Wockhardt Limited, Cadbury India amongst others. Vishal is passionate about working for MSME sector and has a keen interest in providing solution-oriented approach to various challenges being faced by this sector.



**Neeru Mohindru**, Director Marketing - M1xchange

Neeru Mohindru is a transformational Woman leader at M1xchange and serves as an inspiring role model for the company. Currently she is serving as Board of Director and Director Marketing at M1xchange. Prior to this she has worked with Xerox India. Neeru is a PG in Commerce from Delhi University and CWA from The Institute of Cost and Works Accountants of India.

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impact. We believe the IFP is a significant thought leadership initiative in helping build this awareness and a greater imperative to act. IFP not just resonates our values and pursuits of a purposeful existence but takes us a step forward towards this envisioned impact future.

**Anurag Pratap**  
VP & CSR Leader  
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## ACKNOWLEDGEMENTS

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